Columbus Preparatory Academy
Franklin County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2015

Dave Yost • Auditor of State

Board of Education
Columbus Preparatory Academy
3330 Chippewa Street
Columbus, Ohio 43204

We have reviewed the *Independent Auditor's Report* of the Columbus Preparatory Academy, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Columbus Preparatory Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

April 25, 2016

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COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

TABLE OF CONTENTS

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March 29, 2016

To the Board of Trustees
Columbus Preparatory Academy
Franklin County, Ohio
3330 Chippewa Street
Columbus, Ohio 43204

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Columbus Preparatory Academy, Franklin County, Ohio (the "Academy") as of and for the year ended June 30, 2015, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

CPAs and business consultants
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Columbus Preparatory Academy, Franklin County, Ohio as of June 30, 2015, and the changes in financial position and the cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

The accompanying financial statements have been prepared assuming the Academy will continue as a going concern. As disclosed in Note 19 to the financial statements, the Academy has suffered losses from operations in the past and has a cumulative net position deficit of $9,926,852 that raises substantial doubt about its ability to continue as a going concern. This deficit net position includes the effect of the net pension liability and related accruals totaling $5,307,839. Note 19 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Schedule of the Academy's Proportionate Share of the Net Pension Liability,* and *Schedule of the Academy's Contributions* on pages 4-9, 33-34, and 35-36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Cambridge, Ohio

The discussion and analysis of the Columbus Preparatory Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2015. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

Highlights

The Academy finished its 10th year of operation during fiscal year 2015 serving grades kindergarten through eighth grade. Enrollment varied during the year but finished with 637 full time equivalent students, a slight decrease from fiscal year end 2014.

Key highlights for fiscal year 2015 are as follows:

- Net position increased $1,013.464 as compared to a decrease of $522,822 in the prior fiscal year.
- Enrollment decreased slightly from 650 in fiscal year 2014 to 637 in fiscal year 2015.
- Total revenue increased from $5,120,638 in fiscal year 2014 to $6,978,033 in fiscal year 2015.
- Total operating expenses (excluding interest expense) increased from $5,331,608 in fiscal year 2014 to $5,965,387 in fiscal year 2015.
- During 2015, the Academy implemented GASB 68, which reduced beginning net position by $5,392,138.

Overview of the Financial Statements

The financial report consists of three parts, the required supplemental information, the basic financial statements and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets, deferred outflows of resources, all liabilities and all deferred inflows of resources are included on the statement of net position. The statement of net position represents the statement of position of the Academy. The statement of revenues, expenses, and changes in net position presents increases (e.g., revenues) and decreases (e.g. expenses) in net position. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to the full understanding of the data provided on the basic financial statements.

Financial Analysis of the Academy as a Whole

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from the governmental-wide financial statements is included in the discussion and analysis.

Table 1 provides a summary of Academy's net position for 2015 compared to 2014:

Table 1
Net Position

	2015	Restated 2014	Change
Assets:			
Current Assets	$245,510	$272,585	($27,075)
Capital Assets	324,155	278,764	45,391
Total Assets	569,665	551,349	18,316
Deferred Outflows of Resources	357,393	290,549	66,844
Liabilities:			
Current Liabilities	1,981,227	5,976,261	(3,995,034)
Long-Term Liabilities	3,207,451	123,266	3,084,185
Net Pension Liability	4,788,704	5,682,687	(893,983)
Total Liabilities	9,977,382	6,099,527	(910,849)
Deferred Inflows of Resources	876,528	-	876,528
Net Position:			
Net Invested in Capital Assets	297,000	232,233	31,059
Unrestricted	(10,223,852)	(11,172,549)	(550,237)
Total Net Position	($9,926,852)	($10,940,316)	($519,178)

Total net position increased $1,013,465. The goal of the Board and management is to grow enrollment to be closer to the capacity of the facility at which point the Academy would generate surpluses on an annual basis sufficient to eliminate accumulated deficits. Enrollment at the end of fiscal year 2015 was 637 students, a 2.0% decrease of students from fiscal year end 2014. The capacity of the current facility is approximately 725 students. This includes a recent renovation of the second floor that expanded the enrollment capacity by approximately 50 students.

Based on continued analysis of enrollment data, the Board and its management are committed to following the plan to invest in the future of the children of this community, not based on a plan that is expected to generate economic profits, but rather on a plan that is economically sustainable over the long term and that would generate dividends to the community in the form of enhanced opportunities for children and families. Resources for the necessary programs are being made available by delaying payment on invoices from the Academy's management company for certain rent, management services, operating expenses and personnel services.

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer

understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

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

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

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

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

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

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from ($5,548,178) to ($10,940,316).

Table 2 reflects the changes in net position for fiscal year 2015 as compared to 2014:

Table 2
Change in Net Position

	2015	2014	Change
Operating Revenues:			
State Aid	$4,202,008	$4,264,343	($62,335)
Charges for Services	112,787	105,888	6,899
Miscellaneous	92,707	21,743	70,964
Non-Operating Revenues:			
Forgivess of Debt	1,799,053	-	1,799,053
Federal/State Restricted Grants	771,478	728,664	42,814
Total Revenues	6,978,033	5,120,638	1,857,395
Operating Expenses:			
Purchased Services	5,088,376	5,046,381	41,995
Depreciation	42,104	58,391	(16,287)
General Supplies	280,208	168,006	112,202
Other Operating Expense	54,699	58,830	(4,131)
Non-Operating Expenses:			
Interest	499,182	311,852	187,330
Total Expenses	5,964,569	5,643,460	321,109
Changes in Net Position	$ 1,013,464	(522,822)	1,536,286

Forgiveness of debt, non-operating revenues increased during the year based on the write-off of certain related party accounts payable balances and long term debt restructured during the year. The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 operating expenses still include pension expense of $290,549 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense.

Under GASB 68, the 2015 statements report pension expense of $227,455. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 operating expenses under GASB 68	$ 5,465,387
Pension expense under GASB 68	(227,455)
2015 contractually required contribution	311,934
Adjusted 2015 operating expenses	5,549,866
Total 2014 operating expenses under GASB 27	5,331,608
Increase in operating expenses not related to pension	$ 218,258

Budgeting

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, other than the development of a five year forecast. The Academy's contract with its sponsor also requires an annual financial plan.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2015, the Academy had $324,155 invested in capital assets (net of accumulated depreciation and related capital leases payable) for computers, furniture and equipment, leasehold improvements, and construction in progress, an increase of $45,391. The following table shows fiscal year 2015 compared to 2014:

Capital Assets at June 30 (Net of Depreciation)

	2015	2014	Change
Computers	$0	$5,195	($5,195)
Furniture & Equipment	50,765	55,528	(4,763)
Construction in Progress	108,494	25,000	83,494
Leasehold Improvements	164,896	193,041	(28,145)
Total Capital Assets - net	$324,155	$278,764	$45,391

For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At June 30, 2015, the Academy had $3,542,607 in notes and capital leases outstanding, of which $335,156 is due within one year. The following table summarizes the Academy's debt outstanding as of June 30, 2015:

Outstanding Debt, at Year End

	2015	2014	Change
Capital Leases Payable	$27,155	$46,532	($19,377)
Mosaica Education Promissory Notes	37,168	796,964	(759,796)
Tatonka Capital Promissory Note	3,478,284	0	3,478,284
Total	$3,542,607	$843,496	$2,699,110

For further information regarding the Academy's debt, refer to Note 14 to the basic financial statements.

Economic Factors

The Academy is experiencing financial difficulty; see Note 19 to the basic financial statements for further information.

Operations

Columbus Preparatory Academy is a public school established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operation. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

Requests for Information

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any question concerning this report, please contact the administrative offices of Columbus Preparatory Academy, 3330 Chippewa Street, Columbus, Ohio 43204.

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COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

STATEMENT OF NET POSITION
JUNE 30, 2015

Assets:		
Current assets:		
Cash and Cash Equivalents	$	82,399
Accounts Receivable		51,084
Intergovernmental Receivable		112,027
Total current assets		245,510
Noncurrent assets:		
Capital Assets, net of Accumulated Depreciation		324,155
Total assets		569,665
Deferred Outflows of Resources		357,393
Liabilities:		
Current liabilities:		
Accounts Payable, Trade		383,167
Accounts Payable, Related Party		306,104
Advances Payable		956,800
Current Portion of Notes Payable		37,168
Current Portion of Capital Leases Payable		27,155
Current Portion of Long-term Debt		270,833
Total Current Liabilities		1,981,227
Long Term Liabilites:		
Noncurrent Portion of Long-term Debt		3,207,451
Net Pension Liability (See Note 9)		4,788,704
Total Long Term Liabilities		7,996,155
Total Liabilities		9,977,382
Deferred Inflows of Resources		876,528
Net Position		
Net Invested in Capital Assets		297,000
Unrestricted		(10,223,852)
Total Net Position	$	(9,926,852)

See Accompanying Notes to the Basic Financial Statements

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Operating Revenues:	
State Aid	$ 4,202,008
Charge for Services	112,787
Miscellaneous	92,707
Total Operating Revenues	4,407,502
Operating Expenses:	
Purchased Services	5,088,376
Depreciation	42,104
General Supplies	280,208
Other Operating Expenses	54,699
Total Operating Expenses	5,465,387
Operating Loss	(1,057,885)
Nonoperating Revenues and (Expenses):	
Federal and State Restricted Grants	771,478
Forgiveness of Debt and related party accounts payable	1,799,053
Interest Expense	(499,182)
Net Nonoperating Revenues and (Expenses)	2,071,349
Change in Net Position	1,013,464
Net Position, Beginning of Year, Restated - See Note 3	(10,940,316)
Net Position, End of Year	$ (9,926,852)

See Accompanying Notes to the Basic Financial Statements

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
State Aid Receipts	$ 4,202,008
Charge for Services	61,704
Other Operating Receipts	92,707
Cash Payments to Suppliers for Goods and Services	(5,300,568)
Net Cash Used for Operating Activities	(944,149)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Note Payable Interest Payment	(403,352)
Note Payable Principal Retirement	(209,344)
Advances Payable Proceeds	1,927,000
Advances Payable Principal	(970,200)
Advances Payable Fees	(78,895)
Short-term Financing Payments	(27,138)
Federal and State Grant Receipts	857,054
Net Cash Provided by Noncapital Financing Activities	1,095,125
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(89,588)
Capital Lease Interest Payments	(6,135)
Capital Lease Principal Retirement	(19,376)
Net Cash Used for Capital and Related Financing Activities	(115,099)
Net Increase in Cash and Cash Equivalents	35,877
Cash and Cash Equivalents - Beginning of the Year	46,522
Cash and Cash Equivalents - Ending of the Year	$ 82,399
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (1,057,885)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	42,104
Changes in Assets, Liabilities, and Deferred Inflows and Outflows:	
(Increase in Receivables)	(51,084)
Increase in Deferred Outflows	(66,844)
Decrease in Prepaid Expense	28,460
Increase in Accounts Payable, Trade	179,275
Increase in Deferred Inflows	876,528
(Decrease) in Net Pension Liability	(893,983)
Net Cash Used for Operating Activities	$ (944,149)

Non-Cash Transaction: During the fiscal year ended June 30, 2015, the Academy negotiated with Tatonka Capital Corporation to reclassify certain related party accounts payable and long term obligations held by Mosaica into one note in the amount of $3,687,628, and with this agreement, Tatonka wrote off $1,799,053 worth of related party accounts payable and long term obligations.

See Accompanying Notes to the Basic Financial Statements

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Note 1 - Description of the Academy

The Columbus Preparatory Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operation. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of four academic years commencing after July 1, 2004 and ending June 30, 2008 and subsequently renewed for a ten year term set to expire on June 30, 2018. 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.

Ohio Revised Code Section 3314.02(E) states in part that the Academy operate under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operates or manages an Academy for the Governing Board. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provision regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers.

The Academy contracts with Mosaica Education, Inc. for management services including management of personnel and human resources, the program of instruction, marketing data management, purchasing, strategic planning, public relation, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. See Note 17.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Academy's 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 for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

B. Measurement Focus

The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets, liabilities, deferred outflows of resources and deferred inflows of resources 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 net position. The statement of cash flows reflects how the Academy finances meet its cash flow needs.

Note 2 - Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

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. 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 Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, other than the development of a five year forecast. The Academy's contract with its sponsor also requires an annual financial plan.

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net position. The Academy had no investments during the fiscal year ended June 30, 2015.

F. Prepaid Items

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

G. Capital Assets

The Academy's capital assets during fiscal year 2015 consisted of construction in progress, computers, furniture, equipment and leasehold improvements. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Useful Lives
Computers, Furniture and Equipment	5-20 years
Leasehold Improvements	Remaining term of lease
Food Service F&E	10 years

Note 2 - Summary of Significant Accounting Policies (Continued)

H. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The board has not adopted any enabling legislation restricted any resources. The statement of net position reflects $297,000 net invested in capital assets, which represents capital assets net of accumulated depreciation minus any outstanding obligations used to finance the purchase of those assets.

I. 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.

J. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 9.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the statement of net position. (See Note 9)

K. Pensions

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

L. Estimates

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

Note 2 - Summary of Significant Accounting Policies (Continued)

M. Economic Dependency

The Academy receives approximately 97% 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.

Note 3 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the Academy implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

Net position June 30, 2014	($5,548,178)
Adjustments:	
Net Pension Liability	(5,682,687)
Deferred Outflow - Payments Subsequent to Measurement Date	290,549
Restated Net Position June 30, 2014	($10,940,316)

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

Note 4 - Deposits

Custodial credit risk is the risk that, in the event of a 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, 2015 the book balance was $82,399, and the bank balance of Academy's deposits was $94,228. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Note 5 – Receivables

At June 30, 2015, the Academy had intergovernmental receivables, in the amount of $112,027. The receivables are expected to be collected within one year.

Note 5 – Receivables (Continued)

Grant	Amount
IDEA B	$ 37,324
Title III	935
State Aid final Adjustments	3,983
NSLP	12,186
SERS	26,777
School Counseler	30,822
Total Intergovernmental Receivables	$ 112,027

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Non-Depreciable Capital Assets:				
Construction in Progress	$ 25,000	$ 83,495	$ -	$ 108,495
Depreciable Capital Assets:				
Furniture & Equipment	82,300	-	-	82,300
Computers	214,503	-	-	214,503
Leasehold Improvements	317,447	4,000	-	321,447
Total Depreciable Capital Assets	614,249	4,000	-	618,249
Less Accumulated Depreciation:				
Furniture & Equipment	(26,771)	(4,765)	-	(31,536)
Computers	(209,308)	(5,195)	-	(214,503)
Leasehold Improvements	(124,406)	(32,145)	-	(156,551)
Total Accumulated Depreciation	(360,485)	(42,104)	-	(402,589)
Depreciable Capital Assets, Net of Accumulated Depreciation	253,764	(38,104)	-	215,660
Total Capital Assets	$ 278,764	$ 45,391	$ -	$ 324,155

Note 7 - Risk Management

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 2015, the Academy contracted with Pashley Insurance Agency to obtain insurance coverage with the Hartford Casualty Insurance Company.

General Liability:	
Each Occurrence	$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	15,000

Note 7 - Risk Management (Continued)

Damage to Rented Premises - Each Occurrence	500,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Combined Single Limit	1,000,000
Building 3,	118,000
Business Personal Property	300,000
Excess/Umbrella Liability:	
Each Occurrence	5,000,000
Aggregate Limit	5,000,000

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

Note 8 – Purchased Services

For the period July 1, 2014 through June 30, 2015, purchased service expenses were as follows:

Purchased Services	Amount
Personnel Services	$2,975,861
Professional Services	707,586
Building Services	1,172,093
Food Service	111,250
Sponsor Services	83,960
Administrative Services	32,915
Other	4,711
Total	$5,088,376

Note 9 - Defined Benefit Pension Plans

A. Net Pension Liability

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

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

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

Note 9 - Defined Benefit Pension Plans (Continued)

A. Net Pension Liability (continued)

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting.

B. Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Note 9 - Defined Benefit Pension Plans (Continued)

B. Plan Description - School Employees Retirement System (SERS) (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS'

Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS was $28,180 for fiscal year 2015.

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

Note 9 - Defined Benefit Pension Plans (Continued)

C. Plan Description - State Teachers Retirement System (STRS) (Continued)

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

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

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

The Academy's contractually required contribution to STRS was $283,754 for fiscal year 2015. There were no contributions to the DC and Combined Plans for fiscal year 2015.

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

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

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$414,086	$4,374,618	$4,788,704
Proportion of the Net Pension Liability	0.00818200%	0.01798518%	
Pension Expense	$25,352	$202,103	$227,455

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

Note 9 - Defined Benefit Pension Plans (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$3,524	$41,935	$45,459
Academy contributions subsequent to the measurement date	28,180	283,754	311,934
Total Deferred Outflows of Resources	$31,704	$325,689	$357,393
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$67,207	$809,321	$876,528
Total Deferred Inflows of Resources	$67,207	$809,321	$876,528

$311,934 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2016	$15,920	$191,846	$207,766
2017	15,920	191,846	207,766
2018	15,920	191,846	207,766
2019	15,923	191,848	207,771
Total	$63,683	$767,386	$831,069

E. Actuarial Assumptions - SERS

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

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

Note 9 - Defined Benefit Pension Plans (Continued)

E. Actuarial Assumptions – SERS (Continued)

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

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

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

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

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

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

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

Note 9 - Defined Benefit Pension Plans (Continued)

E. Actuarial Assumptions – SERS (Continued)

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$590,779	$414,086	$265,471

F. Actuarial Assumptions - STRS

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

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

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Note 9 - Defined Benefit Pension Plans (Continued)

F. Actuarial Assumptions – STRS (Continued)

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$6,262,744	$4,374,618	$2,777,900

Note 10 - Postemployment Benefits

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program.

Note 10 - Postemployment Benefits (continued)

A. School Employees Retirement System (continued)

The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care

Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was $20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014 and 2013 were $1,753, $333 and $439 respectively. For fiscal year 2015, 2014 and 2013, 100.00 percent has been contributed.

A. School Teachers Retirement Systems

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The Academy's contributions for health care for the fiscal years ended June 30, 2015, 2014 and 2013 were $0, $18,376 and $17,712 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

Note 11 - Contingencies

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2015.

B. Ohio Department of Education Enrollment Review

The Academy's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective or the 2014-2015 school year, the traditional schools must comply with the minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district; which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June30, 2015 Foundation funding for the Academy; therefore, the financial impact is not determinable at this time. ODE and management believe this will result in either a receivable or a liability of the Academy.

Note 12 – Building Leases

The Academy has entered into a lease for the period from July, 2014 through July, 2024 with Spirit Capital, LLC, Inc. for the use of the main building and grounds as a school facility. Rent costs incurred totaled $806,009 for the fiscal year. Under the lease agreement, the Academy is responsible for paying all utilities, maintenance and repairs, and applicable property taxes.

Fiscal Year Ending June 30	Amount
2016	$ 806,000
2017	806,000
2018	806,000
2019	806,000
2020-2023	4,030,000
Total minimum lease payments	$ 7,254,000

Note 13 – Short-term Debt

A summary of short-term obligations for the Academy at June 30, 2015, is as follows:

Charter School Capital - The Academy entered into an agreement with Charter School Capital to borrow against its future foundation payments. Total principal payments made during fiscal year end were $970,200. The terms of the loan are amounts borrowed for a particular month's foundation payment are to be repaid over the course of the next three months following purchase. Total interest paid was $72,462. The imputed interest rate is 3% per annum.

Note 13 – Short-term Debt (Continued)

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Charter School Capital	$ -	$1,927,000	($970,200)	$ 956,800

Note 14 – Long-Term Obligations

Changes in the Academy's long-term obligations during fiscal year 2015 were as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amount Due Within One Year
Net Pension Liability:					
STRS	$ 5,196,983	$ -	$ (822,365)	$ 4,374,618	$ -
SERS	485,704	-	(71,618)	414,086	-
Total Net Pension Liability	5,682,687	-	(893,983)	4,788,704	-
Mosaica Education, Inc. Promissory Note	796,964	-	(759,796)	37,168	$37,168
Tatonka Capital	0	3,687,628	(209,344)	3,478,284	270,833
Capital Leases Payable	46,532	0	(19,417)	27,115	27,115
Long-Term Obligations	$ 18,688,522	$3,687,628	($1,882,541)	$20,493,609	$ 335,116

On January 15, 2015, during the pendency of the court case and receivership, the Academy negotiated with Tatonka Capital Corporation and entered into an agreement to reclassify certain related party accounts payable and long term obligations held by Mosaica into one note for $3,687,628, and with this agreement, Tantonka wrote off $1,799,053 worth of related party accounts payable and long term obligations. The Academy executed a promissory note in the amount of $3,687,628 to Tatonka Capital Corporation at 7% interest requires monthly payments of $42,817 and will mature on September 15, 2023. The Academy received $100,000 in discounts on the principal during fiscal year 2015.

The following is a schedule of the future minimum payments required under the promissory note as of June 30, 2015:

Fiscal Year Ending June 30,2015	Note
2016	$650,966
2017	628,165
2018	628,165
2019	513,798
2020	513,798
2021-2023	1,640,755
Total minimum payments	4,575,648
Less: amount representing interest	(1,060,195)
Present Value of Future payments	$3,515,452

Note 15 – Capital Lease-Lessee Disclosure

In fiscal year 2009, the Academy entered into a capitalized lease for the purchase of: HVAC unit. The lease meet the criteria of capital lease as defined by the Standards, which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee. The lease term was 84 months with a monthly base payment of $2,129.

The following is a schedule of the future minimum lease payments required under the capital leases

Year Ending June 30, 2015	Base Payments Required
2016	28,298
Total future minimum lease payments	28,298
Less: Amount representing interest	(1,183)
Present Value of future minimum lease payments	$27,115

Note 16 –Tax Exempt Status

In November 2010, the Academy received notification from the Internal Revenue Service that its application for tax exemption under section 501 (c) (3) of the Internal Revenue Code has been approved with an effective date of exemption of March 17, 2004.

Note 17 – Related Party Transactions/Management Company

The Academy contracts with Mosaica Education, Inc. for variety of services including management of personnel and human resources, board relations, financial management, marketing, technology services, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. Financial management services include, but are not limited to, financial statements, budgeting, accounts payable, and payroll preparation.

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is equivalent to 12.5% of Academy revenue. The management fee for fiscal year 2015 was $604,522.

Also, per the management agreement there are expenses that will be billed to the Academy based on the actual cost incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries, of Mosaica Education, Inc employees working at the Academy, and other costs related to providing educational and administration services. The total expenses billed by Mosaica Education Inc. during fiscal year 2015 were offset by debt forgiveness.

At June 30, 2015 the Academy had payables to Mosaica Education, Inc. in the amount of $306,104. The following is a schedule of payables owed to Mosaica Education, Inc.

Note 17 – Related Party Transactions/Management Company (Continued)

Mosaica Payables	Amount
Payroll	$ 194,495
Management fees	55,534
Interest/Fiscal Charges	45,572
Other	10,503
Total at June 30, 2015	$ 306,104

Note 18 – Sponsor

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) through June 30, 2018. As part of this contract, the Sponsor is entitled to a maximum of 2% of foundation revenues. Total amount due and paid for fiscal year 2015 was $83,960.

Note 19 – Management's Plan

For fiscal year 2015, the Academy had an increase in net position of $1,013,464, and a cumulative net position deficit of $9,926,852.

Final full-time equivalent students were 637 and 650 students for the fiscal years ending June 30, 2015 and 2014, respectively. Current full-time equivalent student enrollment as of March 2016 is 694. Management plans to increase enrollment through active advertising via print, radio, mailings, and through referrals of current parents which will help achieve enrollment closer to the capacity of the facility which, in turn, will generate future surpluses. The approximate capacity of the facility is 725 students.

Note 20 – Subsequent Events

A. New Management Agreement

On July 23, 2015, the Academy entered into a management agreement with Accel Schools Ohio LLC for an initial term of five years, ending on June 30, 2020. In exchange for providing certain educational, administrative and fiscal services, the Academy agrees to pay Accel Schools 12.5% of its annual base state per-pupil allocation, and a flat $20,000 annual fee or 10% of federal funds received by the Academy, whichever is less.

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYER'S RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)

	2014	2013
Academy's Proportion of the Net Pension Liability	0.00818200%	0.00818200%
Academy's Proportionate Share of the Net Pension Liability	$ 414,086	$ 485,704
Academy's Covered-Employee Payroll	$ 224,726	$ 259,495
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	184.26%	187.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

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

(1) Information prior to 2013 is not avaialable.

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHER'S RETIREMENT SYSTEM OF OHIO
LAST TWO FISCAL YEARS (1)

	2014	2013
Academy's Proportion of the Net Pension Liability	0.01798518%	0.01798518%
Academy's Proportionate Share of the Net Pension Liability	$ 4,374,618	$ 5,196,983
Academy's Covered-Employee Payroll	$ 1,838,586	$ 1,644,643
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	237.93%	315.99%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

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

(1) Information prior to 2013 is not available.

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS
SCHOOL EMPLOYER'S RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 28,180	$ 31,147	$ 35,910	$ 33,701	$ 30,745
Contributions in Relation to the Contractually Required Contribution	$ (28,180)	$ (31,147)	$ (35,910)	$ (33,701)	$ (30,745)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Academy's Covered-Employee Payroll	$ 213,807	$224,726	$259,465	$250,565	$244,590
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%	12.57%

	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 40,981	$ 33,542	$ 27,774	$ 28,667	$ 20,442
Contributions in Relation to the Contractually Required Contribution	$ (40,981)	$ (33,542)	$ (27,774)	$ (28,667)	$ (20,442)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Academy's Covered-Employee Payroll	$ 302,666	$ 340,874	$ 282,831	$ 291,925	$ 205,241
Contributions as a Percentage of Covered-Employee Payroll	13.54%	9.84%	9.82%	9.82%	9.96%

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS
STATE TEACHER'S RETIREMENT SYSTEM OF OHIO
LAST TEN FISCAL YEARS

	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 283,754	$ 259,262	$ 230,250	$ 243,288	$ 238,865
Contributions in Relation to the Contractually Required Contribution	$ (283,754)	$ (259,262)	$ (230,250)	$ (243,288)	$ (238,865)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Academy's Covered-Employee Payroll	$2,026,814	$1,838,586	$1,644,643	$1,737,771	$1,706,179
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%	13.00%

	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 225,670	$ 200,075	$ 161,687	$ 119,645	$ 104,172
Contributions in Relation to the Contractually Required Contribution	$ (225,670)	$ (200,075)	$ (161,687)	$ (119,645)	$ (104,172)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Academy's Covered-Employee Payroll	$ 1,611,929	$ 1,429,107	$ 1,154,907	$ 854,607	$ 744,086
Contributions as a Percentage of Covered-Employee Payroll	13.00%	13.00%	13.00%	13.00%	13.00%

March 29, 2016

To the Board of Trustees
Columbus Preparatory Academy
Franklin County, Ohio
3330 Chippewa Street
Columbus, Ohio 43204

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Columbus Preparatory Academy, Franklin County, Ohio (the "Academy") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated March 29, 2016, in which we noted the Academy restated their net position to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27", and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68" and the Academy has suffered recurring losses from operations and has a net position deficiency of $9,926,582, including effect of net pension liability and related accruals totaling $5,307,839, that raises substantial doubt about its ability to continue as a going concern.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Cambridge, Ohio

March 29, 2016

To the Board of Trustees
Columbus Preparatory Academy
Franklin County, Ohio
3330 Chippewa Street
Columbus, Ohio 43204

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

Report on Compliance for Each Major Federal Program

We have audited the Columbus Preparatory Academy's, Franklin County, Ohio (the "Academy") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2015. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Academy's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Rea & Associates, Inc.

Cambridge, Ohio

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA #	Grant Year	Revenues	Expenses
U. S. Department of Education				
Passed Through Ohio Department of Education:				
Title I	84.010	2015	$ 317,333	$ 317,333
Special Education IDEA Part B	84.027	2015	92,689	92,689
Title III English Language Acquisition Grants	84.365	2015	16,506	16,506
Title II-A Improving Teacher Quality	84.367	2015	4,185	4,185
Total Passed through Ohio Department of Education			430,713	430,713
Direct Award				
School Counselor Grant	84.215E	2015	214,719	214,719
Total U.S. Department of Education			645,432	645,432
U. S. Department of Agriculture				
Passed Through the Ohio Department of Education:				
Child Nutrition Cluster:				
Cash Assistance:				
School Breakfast Program	10.553	2015	13,243	13,243
National School Lunch Program	10.555	2015	97,155	97,155
Total Child Nutrition Cluster			110,398	110,398
Total U.S. Department of Agriculture			110,398	110,398
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 755,830	$ 755,830

The accompanying notes are an integral part of this schedule.

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the Academy's federal awards programs. This schedule has been prepared using the accrual basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. During the fiscal year ended June 30, 2015, the Academy received no food commodities inventory.

NOTE C - TRANSFERS

The Academy generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, an Academy can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the Academy a total of 27 months to spend the assistance. During fiscal year 2015, the ODE authorized the following transfers:

CFDA Number / Grant Title	Grant Year	Transfer Out	Transfer In
84.027 Special Education IDEA Part B	2014	$ 51,026	
84.027 Special Education IDEA Part B	2015		$ 51,026
84.395 ARRA - Race to the Top	2014	5,032	
84.395 ARRA - Race to the Top	2015		5,032
		$ 56,058	$ 56,058

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2015

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.

COLUMBUS PREPARATORY ACADEMY
FRANKLIN COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED JUNE 30, 2015

Finding Number	Finding Summary	Fully Corrected?	Noted Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	ORC 149.41 - Not following Record Retention policy	Yes	Corrected
2014-002	Timliness of Bank Reconciliations	Yes	Corrected

Dave Yost • Auditor of State

COLUMBUS PREPARATORY 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
MAY 10, 2016

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