EDGE LEARNING, INC.
dba The Edge Academy
SUMMIT COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

James G. Zupka, CPA, Inc.
Certified Public Accountants

Dave Yost • Auditor of State

Board of Directors
The Edge Learning, Inc. dba The Edge Academy
92 North Union Street
Akron, Ohio 43044

We have reviewed the *Independent Auditor's Report* of the Edge Learning, Inc. dba The Edge Academy, Summit County, prepared by James G. Zupka, CPA, 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 Edge Learning, Inc. dba The Edge Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

March 29, 2016

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www.ohioauditor.gov

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EDGE LEARNING, INC.
dba The Edge Academy
SUMMIT COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

TABLE OF CONTENTS

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors
Edge Learning, Inc.
dba The Edge Academy
Akron, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

We have audited the accompanying financial statements of Edge Learning, Inc., dba The Edge Academy, Summit 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 Edge Learning, Inc., dba The Edge Academy, Ohio's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Edge Learning, Inc., dba The Edge Academy, Ohio, as of June 30, 2015, and the changes in financial position and cash flows thereof 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 C to the basic financial statements, the Academy adopted the provisions of Governmental Accounting Standards 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 restated its net position at June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of the Academy's Proportionate Share of the Net Pension Liability, and Schedules of the Academy's Contributions, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2015, on our consideration of Edge Learning, Inc., dba The Edge Academy, Ohio'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 Edge Learning, Inc., dba The Edge Academy, Ohio's internal control over financial reporting and compliance.

James G. Zupka, CPA, President

Digitally signed by James G. Zupka, CPA, President
DN: cn=James G. Zupka, CPA, President, o=James G. Zupka, CPA, Inc., ou=Accounting, email=jgzcpa@sbcglobal.net, c=US
Date: 2015.12.31 14:20:32 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 18, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

YEAR ENDED JUNE 30, 2015

The discussion and analysis of the Edge Learning, Inc.’s (the Academy) financial performance provides an overall review of the Academy’s financial activities for the fiscal years ended June 30, 2015. The intent of this discussion and analysis is to look at the Academy’s financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy’s financial performance.

Financial Highlights

- In total, net position increased by $157,582 which represents a 6.6% increase from 2014. The increase in net position during 2015 is mainly attributed to an increase in enrollment, which leads to higher foundation payments, an increase of $221,255 or 11.2% from 2014.
- Total assets increased by $81,668 which represents a 10.8% increase from 2014. The increase of total assets as of June 30, 2015, as compared to prior year is primarily due to an increase in cash and cash equivalents, partially offset by decrease in state and federal grants receivable in the current year.
- Total liabilities decreased by $31,456, which represents a 1.1% from 2014. The decrease in total liabilities as of June 30, 2015 is mainly due to payment on long-term liabilities.

Using this Financial Report

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Academy uses the enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the Academy did financially during 2015. These statements include all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

YEAR ENDED JUNE 30, 2015

The table below provides a summary of the Academy's net position for fiscal year 2015.

Net Position

	2015	Restated 2014
ASSETS		
Current assets	$ 435,976	$ 345,712
Capital assets, net	151,186	166,892
Other assets	250,226	243,116
TOTAL ASSETS	837,388	755,720
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	202,009	160,259
LIABILITIES		
Current liabilities	155,977	159,549
Long-term liabilities	2,626,717	3,131,644
TOTAL LIABILITIES	2,782,694	3,291,193
DEFERRED INFLOWS OF RESOURCES		
Pensions	474,335	0
NET POSITION		
Net Investment ini capital assets	81,623	80,241
Unrestricted	(2,299,255)	(2,455,455)
TOTAL NET POSITION	(2,217,632)	(2,375,214)

During 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the 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 School's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law.

The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from $526,608 to ($2,375,214).

Statements of Revenues, Expenses and Changes in Net Position

The table that follows shows the changes in net position for fiscal years 2015, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, as a whole, the financial position of the Academy has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

YEAR ENDED JUNE 30, 2015

Change in Net Position

	2015	2014
OPERATING REVENUES		
Foundation Payments	$ 2,201,546	$ 1,980,291
Other	40,267	58,790
TOTAL OPERATING REVENUES	2,241,813	2,039,081
OPERATING EXPENSES		
Salaries	1,303,985	1,232,731
Pension Expense	124,133	129,293
Insurance	44,172	47,106
Rent	360,422	360,262
Purchased services	236,921	245,708
Material and supplies	291,412	295,191
Utilities	51,958	79,340
Depreciation	18,306	21,255
Other operating expenses	126,131	140,391
TOTAL OPERATING EXPENSES	2,557,440	2,551,277
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	4,580	4,204
Realized gain on investments	17,272	9,244
Unrealized gain (loss) on investments	(14,783)	25,691
Loss on sale of asset	0	(11,584)
State and federal grants	466,140	459,536
TOTAL NON-OPERATING REVENUES (EXPENSES)	473,209	487,091
CHANGE IN NET POSITION	$ 157,582	$ (25,105)

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 expenses still include pension expense 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 $124,133. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 expenses under GASB 68	$ 2,557,440
Pension expense under GASB 68	(124,133)
2015 contractually required contribution	177,515
Adjusted 2015 expenses	2,610,822
Total 2014 expenses under GASB 27	(2,551,277)
Decrease in program expenses not related to pension	$ 59,545

Budgeting Highlights

Unlike the public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the Academy and its sponsor, St. Aloysius does not prescribe a budgetary process for the Academy.

Capital Assets

At the end of fiscal year 2015, the Academy had $151,186, invested in furniture and equipment, leasehold improvements, land improvements and vehicles (net of depreciation). The table below shows the Capital Assets by category.

Capital Assets (Net of Depreciation)

	2015	2014
Land improvements	$ 16,924	$ 18,576
Furniture and equipment	82,491	93,708
Leasehold improvement	45,828	45,812
Vehicles	5,943	8,796
	$ 151,186	$ 166,892

For more information on capital assets, see Note B in the Notes to the Basic Financial Statements.

Current Financial Issues

The Academy received revenue for 272 students in 2015 and continues to enroll students on a daily basis. State law governing community schools allows for the Academy to have open enrollment across traditional school district boundaries. The Academy receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the Academy averaged $8,094 in fiscal year 2015 and State Basic Aid is planned to remain the same in 2016. The Academy receives additional revenues from grant subsidies.

During the fiscal year 2015, the Academy renewed the contract with St. Aloysius (Sponsor), which will automatically be renewed for one (1) year terms through June 30, 2017 due to the status of the sponsorship agreement between the Ohio Department of Education and St. Aloysius. The Academy is responsible for a monthly fee to the Sponsor of 3% of all funds received by the Academy from the State of Ohio.

Contacting the Academy's Financial Management

This financial report is designed to provide our readers with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact Chris Perin, Finance Director for the Edge Academy, 92 North Union Street, Akron, Ohio 44304 or e-mail at perin@edge4kids.org.

STATEMENT OF NET POSITION

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

JUNE 30, 2015

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		$ 410,836
State and federal grants receivable		23,837
Due from related party		1,303
	TOTAL CURRENT ASSETS	435,976
PROPERTY AND EQUIPMENT		
Land improvements		33,023
Furniture and equipment		127,931
Leasehold improvements		52,103
Vehicles		14,264
		227,321
Less: accumulated depreciation		(76,135)
	TOTAL PROPERTY AND EQUIPMENT	151,186
OTHER ASSETS		
Marketable securities		250,226
	TOTAL ASSETS	837,388
DEFERRED OUTFLOWS OF RESOURCES		
Pensions		202,009
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		23,535
Accrued wages and benefits		113,482
Current portion of capital lease		18,960
	TOTAL CURRENT LIABILITIES	155,977
LONG-TERM LIABILITIES		
Net pension liability		2,576,114
Capital lease payable		50,603
	TOTAL LONG-TERM LIABILITIES	2,626,717
	TOTAL LIABILITIES	2,782,694
DEFERRED INFLOWS OF RESOURCES		
Pensions		474,335
NET POSITION		
Net investment in capital assets		81,623
Unrestricted net position		(2,299,255)
	TOTAL NET POSITION	$ (2,217,632)

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

YEAR ENDED JUNE 30, 2015

OPERATING REVENUES	
Foundation payments	$ 2,201,546
Other	40,267
TOTAL OPERATING REVENUES	2,241,813
OPERATING EXPENSES	
Salaries	1,303,985
Pension expenses	124,133
Insurance	44,172
Rent	360,422
Purchased services	236,921
Materials and supplies	291,412
Utilities	51,958
Depreciation	18,306
Other operating expenses	126,131
TOTAL OPERATING EXPENSES	2,557,440
OPERATING LOSS	(315,627)
NON-OPERATING REVENUES	
Investment income	4,580
Realized gain on investments	17,272
Unrealized loss on investments	(14,783)
State and federal grants	466,140
TOTAL NON-OPERATING REVENUES	473,209
CHANGE IN NET POSITION	157,582
NET POSITION AT BEGINNING OF YEAR, AS RESTATED	(2,375,214)
NET POSITION AT END OF YEAR	$ (2,217,632)

See accompanying notes to the basic financial statements.

STATEMENT OF CASH FLOWS

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

YEAR ENDED JUNE 30, 2015

Cash flows from operating activities:	
Cash received from State of Ohio	$ 2,235,623
Cash payments to employees for services and benefits	(1,514,882)
Cash payments to suppliers for goods and services	(956,947)
Cash payments for other operating expenses	(126,131)
Other operating revenues	40,267
Net cash used in operating activities	(322,070)
Cash flows from noncapital financing activities:	
State and federal grants	466,140
Investment income	4,580
Net cash provided by noncapital financing activities	470,720
Cash flows from capital and related financing activities:	
Cash payments for capital acquisitions	(2,600)
Cash received from sale of investments	79,164
Cash payments for purchases of investments	(87,000)
Cash payments for capital lease	(17,088)
Cash received/payments for other capital and related financing activities	3,215
Net cash used in capital and related financing activities	(24,309)
Net increase in cash and cash equivalents	124,341
Cash and cash equivalents at beginning of year	286,495
Cash and cash equivalents at end of year	$ 410,836
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (315,627)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	18,306
(Increase) decrease in assets & deferred outflows of resources:	
State and federal grants receivable	34,077
Deferred outflows of resources	(41,750)
Increase (decrease) in liabilities & deferred inflows of resources:	
Accounts payable	(16,234)
Accrued wages and benefits	10,790
Net pension liability	(485,967)
Deferred inflows of resources	474,335
Total adjustments	(6,443)
Net cash used in operating activities	$ (322,070)

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

JUNE 30, 2015

NOTE A—DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

The Edge Academy (the Academy) is a not-for-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to educate students from kindergarten through fifth grade. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

During 2015, the Academy renewed the contract with St. Aloysius (Sponsor) for a term of one year and the contract will automatically be renewed for one year terms through June 30, 2017 due to the status of the sponsorship agreement between the Ohio Department of Education (ODE) and Sponsor. During this agreement, if the Sponsor is granted a seven year term with the ODE, the term will be renegotiated.

The Academy operates under the direction of a self-appointing, five-member Board of Directors. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 4 non-certified and 23 certified full-time teaching personnel and 4 certified teaching personnel which are shared 40% with Akros Middle School (a related party) who provide services to approximately 272 students.

NOTE B—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 nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following are the most significant of the Academy's accounting policies.

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

Measurement Focus and Basis of Accounting: The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

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

Budgetary Process: Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with the sponsor. The contract between the Academy and their sponsor, the St. Aloysius Orphanage, does not prescribe a budgetary process for the Academy.

Cash: Cash held by the Academy is reflected as "cash and cash equivalents" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Marketable Securities: In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting of Certain Investments and for External Investment Pools, the investment in marketable securities is reported at fair value on the statement of net position.

Property and Equipment: Property and equipment are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy maintains a capitalization threshold of $1,000, while repairs are charged to expense. The Academy does not possess any infrastructure and does not capitalize interest costs.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Depreciation of land improvements, furniture and equipment, leasehold improvements, and vehicles are computed using the straight-line method based on estimated useful life of 5 to 20 years. Depreciation expense for the year ended June 30, 2015 was $18,306.

	June 30, 2014	Additions	Deletions	June 30, 2015
Capital Assets, being depreciated:				
Land Improvements	$ 33,023	$ 0	$ 0	$33,023
Furniture and Equipment	127,931	0	0	127,931
Leasehold Improvements	49,503	2,600	0	52,103
Vehicles	14,264	0	0	14,264
Total Capital Assets, being depreciated	224,721	2,600	0	227,321
Less Accumulated Deprecation:				
Land Improvements	(14,447)	(1,652)	0	(16,099)
Furniture and Equipment	(34,223)	(11,217)	0	(45,440)
Leasehold Improvements	(3,691)	(2,584)	0	(6,275)
Vehicles	(5,468)	(2,853)	0	(8,321)
Total Accumulated Deprecation	(57,829)	(18,306)	0	(76,135)
Total Capital Assets, Net	166,892	(15,706)	0	151,186

Deferred Outflows/Inflows of Resources

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

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. The deferred inflows of resources related to pension are explained in Note G.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Pensions

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

Purchased Services: The Academy purchased services in the amount of $236,921 for the year ended June 30, 2015.

This includes the following at June 30, 2015:

Busing and transportation fees	$ 22,650
School psychologist	19,677
Professional development	7,444
Professional and legal	34,470
Maintenance services	72,075
Nursing services	13,188
Technical services	30,767
Copier supplies	2,612
Other general services	34,038
	$ 236,921

Compensated Absences: Each employee of the Academy is entitled to five paid sick days each year. Days not used during the year are not carried over to the following year and the Academy does not pay employees for unused sick days. Employees of the Academy do not earn vacation.

Net Position: Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling of legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, 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 positions are available.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Intergovernmental Revenue: The Academy currently participates in the State Foundation Program, the State Meals Program, the EMIS Subsidy Program, the Food Service Federal Grant Programs, the IDEA Part B Program and Title I. Revenues received from these programs are recognized as non-operating revenues in the accompanying financial statements with the exception of State Foundation Program, which is recognized as operating revenue. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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 on a reimbursement basis.

Accrued Liabilities: The Academy has recognized certain expenses due but unpaid as of June 30, 2015. These expenses are reported as accrued liabilities in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes: The Academy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provisions for federal income taxes in the accompanying financial statements. In addition, the Academy has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for year ended June 30, 2015. The Academy believes that it has appropriate support for the tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Academy’s federal Return of Organization Exempt From Income Tax (Form 990) for 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

NOTE C – CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

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

Net position June 30, 2014	$ 526,608
Adjustments:	
Net Pension Liability	(3,062,081)
Deferred Outflow - Payments Subsequent to Measurement Date	160,259
Restated Net Position June 30, 2014	$ (2,375,214)

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 D—DEPOSITS AND INVESTMENTS

Deposits: The Academy maintains two bank accounts at a financial institution. Accounts at an institution are insured by the Federal Deposit Insurance Company (FDIC), up to $250,000. At June 30, 2015, the carrying amounts of the Academy's deposits were $410,836 and the bank balances were $443,917. At June 30, 2015, $193,917 of the Academy's bank balances were uninsured and uncollateralized.

NOTE D—DEPOSITS AND INVESTMENTS - CONTINUED

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. The securities were held by the pledging institutions' trust department. Institution noncompliance with federal requirements could potentially subject the Academy's deposits.

The Academy's investments at June 30, 2015 consisted of marketable securities held by an investment firm's agent.

The Academy's investments are protected by the Securities Investor Protector Corporation (SIPC) against losses caused by the financial failure of the broker-dealer. SIPC was created by the Securities Investor Protections Act of 1970 and is neither a government or a regulatory authority, but a nonprofit, membership corporation, funded by its member securities broker-dealers. Customers of a failed firm receive all securities registered in their names or in the process of being so registered. Customers receive, on a pro rata basis, all remaining customer cash and securities held by the firm.

After the above distribution, SIPC funds are available to satisfy the remaining claims of each customer, up to a maximum of $500,000, including up to $100,000 on claims for cash (as distinction from claims for securities). Any remaining assets after payment of liquidation expenses may be available to satisfy any remaining portion of customer claims on a pro rata basis with other creditors.

Investments: Marketable securities as of June 30, 2015 consisted of funds and stock valued as follows:

	Fair Value Beg. of Year	Purchases At Cost	Sales At Cost	Unrealized Gain (Loss)	Fair Value
International Equity Mutual Funds	$ 102,446	$ 53,500	$ 35,045	$ (22,748)	$ 98,153
Equity Mutual Funds	117,107	33,500	12,810	(5,699)	132,098
Fixed Mutual Funds	4,445	0	17,254	12,809	0
Common Stock	19,118	0	0	857	19,975
	$ 243,116	$ 87,000	$ 65,109	$ (14,781)	$ 250,226

Common stock had Moody's credit quality rating of A1 as of June 30, 2015. Mutual funds credit quality ratings were not available.

NOTE E—STATE AND FEDERAL GRANTS RECEIVABLE

Receivables at June 30, 2015 consisted of state and federal grants and other miscellaneous income. All state and federal grants are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

NOTE F—RISK MANAGEMENT

Property and Liability: The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2015, the Academy contracted with Philadelphia Insurance Companies for property and general liability insurance with a $3,000,000 aggregate limit. Settled claims have not exceeded insurance coverage in any of the past three years.

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

Employee Medical, Dental, and Vision Benefits: The Academy has contracted with a private carrier to provide its full-time salaried employees medical/surgical benefits and life insurance. The Academy paid premium, up to $771 per month per employee, for this coverage.

NOTE G—DEFINED BENEFIT PENSION PLANS

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.

NOTE G—DEFINED BENEFIT PENSION PLANS - CONTINUED

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.

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.

School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853. It is also posted on SERS' website at www.ohsers.org, under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2015, 13.18 % of annual covered salary was the portion used to fund pension obligations.

NOTE G—DEFINED BENEFIT PENSION PLANS—CONTINUED

The remaining 0.82% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2015 was $36,784; 100% has been contributed for fiscal year 2015.

State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio 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.

NOTE G—DEFINED BENEFIT PENSION PLANS—CONTINUED

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

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

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

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 required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2015 was $140,731; 100% has been contributed for fiscal year 2015.

NOTE G—DEFINED BENEFIT PENSION PLANS—CONTINUED

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	$405,989	$2,170,125	$2,576,114
Proportion of the Net Pension Liability	0.008022%	0.00892194%	
Pension Expense	$23,875	$100,258	$124,133

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

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$3,455	$20,892	$24,347
Difference between School contributions and proportionate share of contributions	147	0	147
School contributions subsequent to the measurement date	36,784	140,731	177,515
Total Deferred Outflows of Resources	$40,386	$161,623	$202,009
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$65,893	$401,481	$467,374
Difference between School contributions and proportionate share of contributions	0	6,961	6,961
Total Deferred Inflows of Resources	$65,893	$408,442	$474,335

NOTE G—DEFINED BENEFIT PENSION PLANS—CONTINUED

$177,515 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2016	$15,600	$96,887	$112,487
2017	15,600	96,887	112,487
2018	15,600	96,887	112,487
2019	15,491	96,889	112,380
Total	$62,291	$387,550	$449,841

Actuarial Assumptions - SERS

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

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

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

NOTE G—DEFINED BENEFIT PENSION PLANS—CONTINUED

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 G—DEFINED BENEFIT PENSION PLANS—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%)
The Academy's proportionate share of the net pension liability	$ 579,225	$ 405,989	$ 260,282

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.

NOTE G—DEFINED BENEFIT PENSION PLANS—CONTINUED

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:

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

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

NOTE G—DEFINED BENEFIT PENSION PLANS—CONTINUED

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%)
The Academy's proportionate share of the net pension liability	$ 3,106,756	$2,170,125	$1,378,032

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2015, there were no members of the governing board that elected Social Security.

NOTE H—POST EMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The Academy participates in two costs sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certified retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS at 300 East Broad Street, Suite 100, Columbus, OH 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE H—POST EMPLOYMENT BENEFITS - CONTINUED

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14% covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401(h). For 2015, 0.82% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2015, this amount was $20,450. During fiscal year 2015, no surcharges were paid.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2015 was $2,154; 100% has been contributed for fiscal year 2015.

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post–employment health care may be deducted from employer contributions. For 2015, STRS Ohio allocated employer contributions equal to 0% of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal year ended June 30, 2015 was $0; 100% has been contributed for fiscal year 2015.

NOTE I—CONTINGENCIES

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

Enrollment FTE: The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the Schools. These reviews are conducted to ensure the Schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. For fiscal years 2015, these reviews resulted no adjustments.

Litigation: The School is party to legal proceedings. The School is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School.

NOTE J—LEASE COMMITMENTS

Operating Lease: As of August 1, 2009, the Academy entered into a three-year lease with Charter Development Foundation, Inc. (a related party) for the use of classrooms and office space. This lease commenced on August 1, 2009. Annual rent for the use of these facilities is $358,897 payable in monthly installments of $29,908. The Academy is responsible for paying all taxes, utilities and maintenance costs. On July 1, 2013, the Academy renewed this lease for an additional three years, expiring June 30, 2016. On July 1, 2015, the Academy renewed this lease for an additional three years, expiring June 30, 2018. Annual rent starting July 1, 2015 for the use of these facilities is $312,897 payable in monthly installments of $26,075.

Total rent expense was $358,897 for year ended June 30, 2015. Future minimum rental payments as of June 30, 2015, are as follows:

2016	$ 312,897
2017	312,897
2018	312,897
	$ 938,691

NOTE J—LEASE COMMITMENTS - CONTINUED

As of December 30, 2013, the Academy entered into a 38 month lease for use of a van to transport students. Annual payments on the lease are $3,348, payable in monthly installments of $279. Future minimum lease payments as of June 30, 2015, are as follows:

2016	$	3,348
2017		2,500
	$	5,848

Capital Lease: In July 2013, the Academy entered into a sixty-three-month lease agreement with Toshiba Business Solution for three copiers and four tablets totaling $102,051, with monthly payments of $2,111. As of June 30, 2015, accumulated depreciation related to the leased equipment was $19,560. This lease expires in November 2018. As of June 30, 2014 the present value of minimum lease payments was $86,651.

Future minimum capital lease payments as of June 30, 2015, are as follows:

2016	$	25,333
2017		25,333
2018		25,333
2019		6,333
Total minimum lease payments		82,332
Less: Amount representing interest		(12,769)
Present value of minimum lease payments	$	69,563

NOTE K—RELATED PARTY TRANSACTIONS

The Academy has several leases with Charter Development Foundation, Inc., a not-for-profit organization (See Note I).

At June 30, 2015, the Academy has a due from related party in the amount of $1,303 from Akros Middle School, a not-for-profit organization. Akros Middle School did not begin operations until fiscal year 2012. The balance resulted from the Academy paying net expenses for Akros during the fiscal year ended June 30, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL EMPLOYEE RETIREMENT SYSTEM OF OHIO

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

LAST TWO FISCAL YEARS (1)

	2014	2013
Academy's Proportion of the Net Pension Liability	0.008022%	0.008022%
Academy's Proportionate Share of the Net Pension Liability	$ 405,989	$ 477,043
Academy's Covered-Employee Payroll	$ 235,483	$ 190,484
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.41%	250.44%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

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

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

LAST TWO FISCAL YEARS (1)

	2014	2013
Academy's Proportion of the Net Pension Liability	0.00892190%	0.00892190%
Academy's Proportionate Share of the Net Pension Liability	$ 2,170,125	$ 2,585,038
Academy's Covered-Employee Payroll	$ 981,700	$ 529,415
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	488.28%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	69.30%

(1) Information prior to 2013 is not available.

Amounts presented as of the Academy's measurement date

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

LAST TEN FISCAL YEARS

	2015	2014	2013	2012
Contractually Required Contribution	$ 36,784	$ 32,638	$ 26,363	$ 31,811
Contributions in Relation to the Contractually Required Contribution	(36,784)	(32,638)	(26,363)	(31,811)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Academy's Covered-Employee Payroll	$ 279,090	$ 235,483	$ 190,484	$ 236,513
Contributions as a Percentage of Covered-Employee Payroll	13.18%	13.86%	13.84%	13.45%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO - CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

LAST TEN FISCAL YEARS

2011	2010	2009	2008	2007	2006
$ 8,012	$ 32,386	$ 24,753	$ 7,491	$ 38,055	$ 21,433
(8,012)	(32,386)	(24,753)	(7,491)	(38,055)	(21,433)
$ -	$ -	$ -	$ -	$ -	$ -
$ 63,739	$ 239,188	$ 251,555	$ 76,283	$ 356,320	$ 202,580
12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

LAST TEN FISCAL YEARS

	2015	2014	2013	2012
Contractually Required Contribution	$ 140,731	$ 127,621	$ 68,824	$ 161,694
Contributions in Relation to the Contractually Required Contribution	(140,731)	(127,621)	(68,824)	(161,694)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Academy Covered-Employee Payroll	$ 1,005,221	$ 981,700	$ 529,415	$ 1,243,800
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.00%	13.00%	13.00%

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM OF OHIO - CONTINUED

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

LAST TEN FISCAL YEARS

2011	2010	2009	2008	2007	2006
$ 116,991	$ 136,311	$ 98,460	$ 99,483	$ 116,131	$ 121,301
(116,991)	(136,311)	(98,460)	(99,483)	(116,131)	(121,301)
$ -	$ -	$ -	$ -	$ -	$ -
$ 899,931	$ 1,048,546	$ 757,385	$ 765,254	$ 893,315	$ 933,085
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
5240 East 98th Street
Garfield Hts., Ohio 44125

Member American Institute of Certified Public Accountants (216) 475 - 6136 Ohio Society of Certified Public Accountants

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*

To Members of the Board of Directors
Edge Learning, Inc.
dba The Edge Academy
Akron, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

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 Edge Learning, Inc., dba The Edge Academy, Summit 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 Edge Learning, Inc., dba The Edge Academy , Ohio's basic financial statements and have issued our report thereon dated December 18, 2015, wherein we noted that the Academy adopted new accounting guidance, Governmental Accounting Standards 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 restated its net position at June 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Edge Learning, Inc., dba The Edge Academy, Ohio'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Edge Learning, Inc., dba The Edge Academy, Ohio's internal control. Accordingly, we do not express an opinion on the effectiveness of Edge Learning, Inc., dba The Edge Academy, Ohio'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 Edge Learning, Inc., dba The Edge Academy, Ohio'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 Edge Learning, Inc., dba The Edge Academy, Ohio' s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, President
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Date: 2015.12.31 14:22:06 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 18, 2015

EDGE LEARNING, INC.
dba THE EDGE ACADEMY
SUMMIT COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS
JUNE 30, 2015

The prior audit report, as of June 30, 2014, included no citations. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

JAMES G. ZUPKA, C.P.A., INC.
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5240 East 98th Street
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INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Edge Learning, Inc.
dba The Edge Academy
Akron, Ohio

To the Board of Directors:

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

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

1. As of our report date of December 18, 2015, the Academy's anti-harassment policy did not include the following requirements from Ohio Revised Code Section 3313.666(B):

   a. A procedure for documenting any prohibited incident that is reported;
   b. A requirement that the Academy administration semi-annually provide the President of the Academy's Board a written summary of all reported incidents and post the summary on its web site. If the Academy has a web site, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, Section 20 U.S.C. 1232g, as amended.

2. We noted that the Academy did not amend its anti-harassment policy to prohibit harassment, intimidation, or bullying on a school bus. We also noted that the policy did not include the electronic form and violence within a dating relationship within its definition of harassment, intimidation, or bullying. Ohio Revised Code Section 3313.666 required the Academy to amend its definition by September 28, 2010.

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

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

James G. Zupka, CPA, President

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Date: 2015.12.31 14:22:35 -05'00'

James G. Zupka, CPA, Inc.
Certified Public Accountants

December 18, 2015

Dave Yost • Auditor of State

EDGE ACADEMY

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 12, 2016