NEWBRIDGE MATH AND READING PREPARATORY ACADEMY

FRANKLIN COUNTY

Audit Report

For the Year Ended June 30, 2016

Charles E. Harris & Associates
certified public accountants & government consultants

Dave Yost • Auditor of State

Board of Directors
Newbridge Math and Reading Preparatory Academy
3850 Sullivant Avenue
Columbus, Ohio 43228

We have reviewed the *Independent Auditor's Report* of the Newbridge Math and Reading Preparatory Academy, Franklin County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2015 through June 30, 2016. 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 Newbridge Math and Reading Preparatory Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

April 28, 2017

This page intentionally left blank.

NEWBRIDGE MATH AND READING PREPARATORY ACADEMY
FRANKLIN COUNTY
AUDIT REPORT
For the Year Ending June 30, 2016

TABLE OF CONTENTS

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc.
Certified Public Accountants
Office phone - (216) 575-1630
Fax - (216) 436-2411

INDEPENDENT AUDITOR'S REPORT

Newbridge Math and Reading Preparatory Academy
Franklin County
3850 Sullivant Academy
Columbus, Ohio 43228

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Newbridge Math and Reading Preparatory Academy, Franklin County, Ohio (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Newbridge Math and Reading Preparatory Academy, Franklin County, Ohio, as of June 30, 2016, and the changes in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

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

Charles E. Harris & Associates, Inc.
December 29, 2016

The discussion and analysis of Newbridge Math and Reading Preparatory Academy (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30 2016. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

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

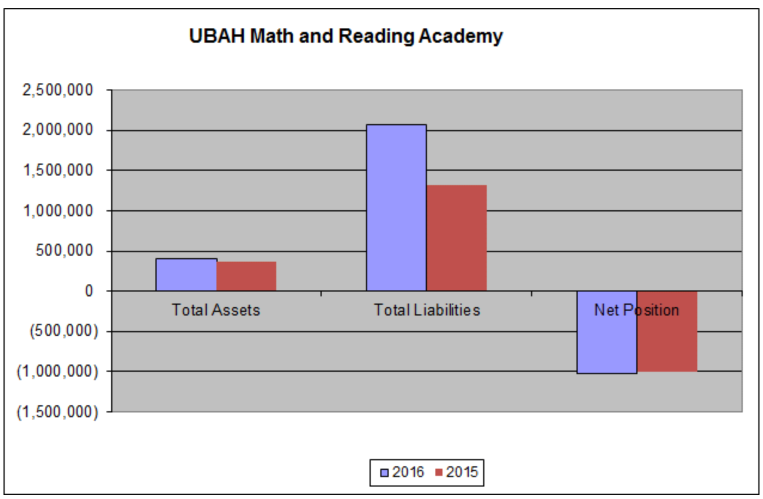
Financial Highlights

Key financial highlights for fiscal year 2016 are as follows:

- Total Net Position decreased $91,661 for fiscal year 2016.
- Total revenues increased from $1,945,854 in fiscal year 2015 to in $2,072,544 fiscal year 2016.
- Total expenses increased from $1,718,349 in fiscal 2015 to $2,164,205 in fiscal year 2016.
- Current liabilities decreased by $11,643 and current assets increased by $72,565 in fiscal year 2016.
- The School has no long term debt outstanding as of June 30 2016.
- Net Pension Liability increased $769,236 which is offset by a decrease of $73,718 in Deferred Inflows.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.



The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the School did financially 2016. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's net position and changes in those assets. This change in net position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2016. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net position for 2016.

(Table 1)
Statement of Net Position

	2016	2015
Assets		
Current Assets	$ 326,291	$ 253,726
Capital Assets, Net	70,408	105,601
Total Assets	396,699	359,327
Deferred Outflows		
Pension Requirements	704,570	157,169
Liabilities		
Current Liabilities	191,993	203,636
Long Term Liabilities	1,875,628	1,113,833
Total Liabilities	2,067,621	1,317,469
Deferred Inflows		
Pension Requirements	125,081	198,799
Net Position		
Net Investment in Capital Assets	54,969	83,978
Unrestricted	(1,146,402)	(1,083,750)
Total Net Position	$ (1,091,433)	$ (999,772)

Total assets were $396,699, while total liabilities were $2,067,621. Cash and cash equivalents were $318,810 while intergovernmental receivables were $ 7,481.

Statement of Revenues, Expenses and Changes in Fund Net Position

Table 2, below, demonstrates the change in net position for fiscal year 2016, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of School 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.

Table 2
Changes in Net Position

	2016	2015
Operating Revenues		
Foundation	$ 1,526,972	$ 1,530,198
Casino Revenue	9,066	8,731
Facilities	27,150	16,348
Miscellaneous Operating	35,836	48,604
Non-Operating Revenues		
Interest Income	236	-
Grants	473,284	341,973
Total Revenues	2,072,544	1,945,854
Operating Expenses		
Salaries	791,811	766,486
Fringe Benefits	400,612	101,872
Purchased Services	820,716	664,867
Materials and Supplies	86,164	90,611
Depreciation	38,659	41,488
Other	22,764	48,502
Non-Operating Expenses		
Interest on Notes Payable	3,479	4,523
Total Expenses	2,164,205	1,718,349
Total Increase (Decrease) in Net Position	$ (91,661)	$ 227,505

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation payments made up 74% of revenues while federal and miscellaneous made up the remaining. The Schools' most significant expense Purchased Services represents 38% of total expenses which represent payments to various vendors.

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 School'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.

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Directors.

Capital Assets

At the end of fiscal year 2016, the School had capital assets, net of accumulated depreciation in the amount of $70,408, a decrease of $35,193 from fiscal year 2015. See Note 11 to the financial statements for further information.

Capital Lease and Construction Payable

At June 30 2016, the School has outstanding capital lease payables totaling $15,439 and construction payable totaling $0. See Notes 19 and 11 for further information.

Current Financial Related Activities

The School has enrollment is of 188 students as of November 2016. The financial outlook over the next several years shows continued growth in enrollment. But, future revenue increases are cautious due to Ohio's weak economic recovery.

Contacting Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, Fiscal Officer for the Newbridge Math and Reading Preparatory Academy, 65 E. Wilson Bridge Rd Suite 200, Worthington, OH 43085 or e-mail at badams@ocscltd.com.

THIS PAGE INTENTIONALLY LEFT BLANK

Newbridge Math and Reading Academy
Franklin County, Ohio
Statement of Net Position
June 30, 2016

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 318,810
Intergovernmental Receivable	7,481
Total Current Assets	326,291
Noncurrent Assets:	
Depreciable Capital Assets, net	70,408
Total Assets	396,699
DEFERRED OUTFLOWS	
Pension Requirements	704,570
Liabilities	
Current Liabilities:	
Accounts Payable	32,294
Accrued Wages and Benefits	150,517
Capital Lease Payable, Due within one year	7,443
Intergovernmental Payable	1,739
Total Current Liabilities	191,993
Long-Term Liabilities:	
Capital Leases Payable	7,996
Net Pension Liability	1,867,632
Total Long-Term Liabilities	1,875,628
Total Liabilities	2,067,621
DEFERRED INFLOWS	
Pension Requirements	125,081
Net Position	
Net Investment In Capital Assets	54,969
Unrestricted	(1,146,402)
Total Net Position	$ (1,091,433)

See accompanying notes to the basic financial statements

Newbridge Math and Reading Academy
Franklin County, Ohio
Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

Operating Revenues	
State Aid	$ 1,526,972
Casino Revenue	9,066
Facilities Revenue	27,150
Miscellaneous Operating Revenue	35,836
Total Operating Revenues	1,599,024
Operating Expenses	
Salaries	791,811
Fringe Benefits	400,612
Purchased Services	820,716
Materials and Supplies	86,164
Depreciation	38,659
Other	22,764
Total Operating Expenses	2,160,726
Operating Income (Loss)	(561,702)
Non-Operating Revenues (Expenses)	
Interest and Fiscal Charges	(3,479)
Interest Income	236
Grants	473,284
Total Non-Operating Revenues (Expenses)	470,041
Change in Net Position	(91,661)
Net Position Beginning of Year	(999,772)
Net Position End of Year	$(1,091,433)

See accompanying notes to the basic financial statements

Newbridge Math and Reading Preparatory Academy
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2016

Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from State	$	1,578,519
Cash Received from Other Operating Sources		35,836
Cash Payments to Employees for Services		(744,799)
Cash Payments for Employee Benefits		(252,495)
Cash Payments for Goods and Services		(916,912)
Other Cash Payments		(22,764)
Net Cash Provided by (Used in) Operating Activities		(322,615)
Cash Flows from Noncapital Financing Activities		
Grants Received		498,092
Cash Flows from Investing Activities		
Cash Received from Interest on Investments		236
Cash Flows from Capital and Related Financing Activities		
Cash Payments for Capital Assets		(3,465)
Interest Paid-Capital Lease Payable		(3,479)
Principal Payments-Capital Lease		(6,186)
Principal Payments-Notes Payable		(45,000)
Net Cash Provided by (Used in) Financing Activities		(58,130)
Net Increase (Decrease) in Cash and Cash Equivalents		117,583
Cash and Cash Equivalents Beginning of Year		201,227
Cash and Cash Equivalents End of Year	$	318,810
Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in Operating Activities		
Operating Gain (Loss)	$	(561,702)
Adjustments:		
Depreciation		38,659
Changes in Assets, Liabilities, Deferred Inflows and Outflows of Resources:		
Intergovernmental Receivable		20,210
Accounts Payable		(10,032)
Intergovernmental Payable		1,739
Accrued Wages and Benefits		40,394
Net Pension Liability		769,236
Deferred Outflows		(547,401)
Deferred Inflows		(73,718)
Net Cash Provided by (Used in) Operating Activities	$	(322,615)

See accompanying notes to the basic financial statements

THIS PAGE INTENTIONALLY LEFT BLANK

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Newbridge Math and Reading Preparatory Academy (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under contract with St. Aloysius Orphanage (the Sponsor) for a period of three years from July 1, 2013 through June 30, 2016. In June 2015, the School entered into a one-year agreement with the sponsor ending on June 30, 2016. The School operates under a self-appointing five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility. The facility is staffed with teaching personnel who provide services to 188 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles 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 more significant of the School's accounting policies are described below.

A. BASIS OF PRESENTATION

The School'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 School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. BUDGETARY PROCESS

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account. The School did not have any investments during fiscal year 2016.

E. CAPITAL ASSETS AND DEPRECIATION

For purposes of recording capital assets, the Board has a capitalization threshold of $1,000.

The capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation of $ 70,408. Depreciation is computed by the straight-line method over three years for "Furniture and Fixtures, Computers and Software", and five to twenty years for "Leasehold Improvements".

F. INTERGOVERNMENTAL REVENUES

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the Career Based Intervention (CBI) Program, which are reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. INTERGOVERNMENTAL REVENUES (Continued)

Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2016 school year totaled $473,284.

G. OPERATING REVENUES AND EXPENSES

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

H. NET POSITION

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

I. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

J. 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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. For the School, 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 5.

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 as an inflow of resources (revenue) 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 5).

3. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2016, the carrying amount of the School's deposits was $318,810 and the bank balance was $318,810. Of the bank balance, all was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure, $0 was uninsured and uncollateralized.

4. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has contracted with the O'Neil Group for property and general liability insurance. The property insurance limits are $1,000 deductible and $385,000 aggregate. The general liability insurance limits are $1,000,000 each occurrence and $2,000,000 aggregate. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last three years.

Director and Officer - Coverage has been purchased by the School with a $1,000,000 aggregate limit and no deductible.

Worker's Compensation – The School is responsible for paying the State Workers Compensation System a premium for employee injury coverage.

5. 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 School'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.

The Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School 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. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

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

Plan Description – School 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.

5. DEFINED BENEFIT PENSION PLANS (Continued)

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

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.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School 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, 2016, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2016.

The School's contractually required contribution to SERS was $25,244 for fiscal year 2016.

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.

5. DEFINED BENEFIT PENSION PLANS (Continued)

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

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.

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, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

5. DEFINED BENEFIT PENSION PLANS (Continued)

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

The School's contractually required contribution to STRS was $88,044 for fiscal year 2016.

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, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School'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:

	STRS	SERS	Total
Proportionate Share of the Net Pension Liability	$ 1,629,465	$ 238,167	$ 1,867,632
Proportion of the Net Pension Liability	0.00589594%	0.00417390%	
Pension Expense	$ 212,616	$ 48,789	$ 261,405

At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	STRS	SERS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 74,282	$ 3,835	$ 78,117
Changes in proportion	498,255	14,910	513,165
School contributions subsequent to the measurement date	88,044	25,244	113,288
Total Deferred Outflows of Resources	$ 660,581	$ 43,989	$ 704,570
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 117,190	$ 7,891	$ 125,081
Total Deferred Inflows of Resources	$ 117,190	$ 7,891	$ 125,081

$113,288 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 fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

5. DEFINED BENEFIT PENSION PLANS (Continued)

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

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2017	$ 98,119	$ 1,899	$ 100,018
2018	98,119	1,899	100,018
2019	98,115	1,880	99,995
2020	160,994	5,175	166,169
	$ 455,347	$ 10,853	$ 466,200

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.

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, 2015, 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.

5. DEFINED BENEFIT PENSION PLANS (Continued)

E. Actuarial Assumptions – SERS (Continued)

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
	100.00 %	

F. 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.

In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the School's net pension liability is expected to be significant.

G. Sensitivity of the School'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.

5. DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School's proportionate share of the net pension liability	$ 330,252	$ 238,167	$ 160,624

H. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increase	2.75 percent at 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, 2015, 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
	100.00 %	

I. Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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

5. DEFINED BENEFIT PENSION PLANS (Continued)

I. Discount Rate (Continued)

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, 2015. 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, 2016.

J. Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the School'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 School'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%)
School's proportionate share of the net pension liability	$ 2,263,450	$ 1,629,465	$ 1,093,337

6. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description – The School 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. 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.

6. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

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 2016, SERS did not allocate any employer contributions to the Health Care fund. 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 2016, this amount was $23,000. 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 School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2016, 2015, and 2014 were $2,006, $4,801, and $1,016, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

Plan Description – The School 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 2016, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $1,421, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

7. CONTINGENCIES

A. GRANTS

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

B. FULL TIME EQUIVALENCY

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, community schools must comply with minimum hours of instruction, instead of 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, 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 June 30, 2016 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or a liability of the School.

8. FEDERAL TAX STATUS

The School began the process of filing for tax exempt status under section 501(c)(3) of the Internal Revenue Code. In the interim, the School has begun the process to file IRS Form 990, “Return of Organization Exempt from Income Tax”.

9. SPONSORSHIP FEES

The School contracts with St. Aloysius to be its sponsor effective July 1, 2013. The contract states “…the annual sponsorship fee to be paid to St. Aloysius be set at 3% of the State’s annual School Foundation support…” The Sponsor is to provide oversight, monitoring, and technical assistance for the School. Amount paid to St. Aloysius for fiscal year 2016 was $46,082. In June 2015, the School entered into a one-year agreement with the sponsor ending on June 30, 2016.

10. CONSTRUCTION PAYABLE

Innovative Construction Concepts performed leasehold Improvements on the building. The vendor allowed the school to pay the contract as funds become available with no interest due. Principal payments totaled $45,000 during the year.

	Principal Outstanding 6/30/2015	Additions	Reductions	Principal Outstanding 6/30/2016
Construction Payable	$ 45,000	$ -	$ (45,000)	$ -

11. LONG-TERM OBLIGATIONS

The School's long-term obligations during the year consist of the following:

	Balance 6/30/2015	Additions	Reductions	Balance 6/30/2016
Net Pension Liability				
STRS	$ 904,208	$ 725,257	$ -	$ 1,629,465
SERS	194,188	43,979	-	238,167
Total Net Pension Liability	$1,098,396	$769,236	$ -	$1,867,632

12. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2016, follows:

	Balance 06/30/15	Additions	Deletions	Balance 06/30/16
Depreciable Capital Assets:				
Furniture and Fixtures	$ 104,150	$ 3,466	-	$ 107,616
Leasehold Improvements	95,000	-	-	95,000
Total Capital Assets being Depreciated	199,150	3,466	-	202,616
Less Accumulated Depreciation				
Furniture and Fixtures	(36,549)	(19,659)	-	(56,208)
Leasehold Improvements	(57,000)	(19,000)	-	(76,000)
Total Accumulated Depreciation	(93,549)	(38,659)	-	(132,208)
Total Capital Assets being Depreciated, Net	$ 105,601	$ (35,193)	$ -	$ 70,408

13. CAPITAL LEASE OBLIGATIONS

The school entered into a capitalized lease for the acquisition of a copier totaling $6,500 during fiscal year 2014. The School paid $1,695 in principal and $693 in interest for the fiscal year ended June 30, 2016. $2,073 in principal payments are due in one year.

The school entered into a capitalized lease for the acquisition of a playground totaling $23,880 during fiscal year 2014. The School paid $4,491 in principal and $2,786 in interest for the fiscal year ended June 30, 2016. $5,370 in principal payment is due in one year.

Lease activity was as follows:

	Principal Outstanding 6/30/2015	Additions	Reductions	Principal Outstanding 6/30/2016
Equipment Lease	$ 4,156	-	$ (1,695)	$ 2,461
Leasehold Improvements	17,469	-	(4,491)	12,978
Total Long-Term Liabilities	$ 21,625	$ -	$ (6,186)	$ 15,439

Amortization of the above leases is scheduled as follows:

Fiscal Year	Capital Lease
2017	$ 9,664
2018	7,671
2019	1,204
Total	18,539
Less: Amount Representing Interest	(3,100)
Present Value of minimum payments	$ 15,439

14. PURCHASED SERVICES

For the period July 1, 2015 through June 30, 2016, purchased service expenses were for the following services:

Professional Services	$ 365,119
Property Services	246,612
Travel and Professional Development	978
Communications	32,853
Utilities	27,797
Contract Trade	144,721
Transportation	2,636
Total	$ 820,716

15. ACCOUNTS RECEIVABLES

At June 30, 2016, the school had various accounts receivables. Accounts receivable represent amounts due from vendors during the course of operations. Intergovernmental receivables consist of federal assistance (CCIP) which eligibility requirements have been met (earned) at June 30, 2016, but the cash was not received by year end.

16 ACCOUNTS PAYABLE

At June 30, 2016, the School had accounts payable totaling $32,294 due various vendors during the normal course of conducting operations. The School had an intergovernmental payable of $1,739 for amounts due for various payroll liabilities to government agencies.

17. ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were $150,517 at June 30, 2016 which represents wages, with associated benefits, earned and not paid at June 30, 2016 for certain School teachers paid over a 12 month period.

18. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2016, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments and GASB Statement No. 79, Certain External Investment Pools and Pool Participants.

GASB Statement No. 72 clarifies the definition of fair value for financial reporting purposes, establishes general principles for measuring fair value, provides additional fair value application guidance, and enhances disclosures about fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the School.

GASB Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of GASB Statement No. 68 as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also clarifies the application of certain provisions of GASB Statements 67 and 68. The implementation of GASB Statement No. 73 did not have an eff

GASB Statement No. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the School.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the School.

19. OPERATING LEASES – LESSEE DISCLOSURE

The School leases space from Hillo Real Estate, LLC located at 3850 Sullivant Avenue beginning August 1, 2013 for three (3) years and ending July 31, 2016. The School pays a monthly payment of $13,500. Total paid for fiscal year 2016 was $154,730.

Newbridge Math and Reading Preparatory Academy
Franklin County, Ohio
Required Supplementary Information
Schedule of the School's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years (1)

	2016	2015	2014
State Teachers Retirement System (STRS)			
School's Proportion of the Net Pension Liability	0.00589594%	0.00371743%	0.00371743%
School's Proportionate Share of the Net Pension Liability	$ 1,629,465	$ 904,208	$ 1,077,086
School's Covered-Employee Payroll	$ 723,457	$ 448,085	$ 153,000
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	225.23%	201.79%	703.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)			
School's Proportion of the Net Pension Liability	0.00417390%	0.00383700%	0.00383700%
School's Proportionate Share of the Net Pension Liability	$ 238,167	$ 194,188	$ 228,174
School's Covered-Employee Payroll	$ 345,425	$ 128,521	$ 49,220
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	68.95%	151.09%	463.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

Newbridge Math and Reading Preparatory Academy
Franklin County, Ohio
Required Supplementary Information
Schedule of School Contributions
Last Four Fiscal Years (1)

	2016	2015	2014	2013
State Teachers Retirement System (STRS)				
Contractually Required Contribution	$ 88,044	$ 101,284	$ 58,251	$ 19,890
Contributions in Relation to the Contractually Required Contribution	(88,044)	(101,284)	(58,251)	(19,890)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered-Employee Payroll	$ 628,886	$ 723,457	$ 448,085	$ 153,000
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%
School Employees Retirement System (SERS)				
Contractually Required Contribution	$ 25,244	$ 45,527	$ 17,813	$ 6,812
Contributions in Relation to the Contractually Required Contribution	(25,244)	(45,527)	(17,813)	(6,812)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
School's Covered-Employee Payroll	$ 180,314	$ 345,425	$ 128,521	$ 49,220
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2013 is not available.

Newbridge Math and Reading Preparatory Academy
Franklin County, Ohio
Notes to the Required Supplementary Information
For the year ended June 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions: A significant "catch up" of employees' SERS was made in 2016, which caused the SERS contributions to be higher than normal. No other changes in methods or assumptions were made. See the notes to the basic financial statements for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014-2016.

Changes in assumptions: There were no changes in methods or assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. See the notes to the basic financial statements of the methods and assumptions in this calculation.

This page intentionally left blank.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Charles E. Harris & Associates, Inc. Office phone - (216) 575-1630
Certified Public Accountants Fax - (216) 436-2411

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

Newbridge Math and Reading Preparatory Academy
Franklin County
3850 Sullivant Academy
Columbus, Ohio 43228

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Newbridge Math and Reading Preparatory Academy, Franklin County, (the School) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 29, 2016.

Internal Control Over Financial Reporting

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

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

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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

We did note certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated December 29, 2016.

Purpose of this Report

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

Charles E Harris Associates

Charles E. Harris & Associates, Inc.
December 29, 2016

Dave Yost • Auditor of State

NEWBRIDGE MATH AND READING 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 11, 2017