ZENITH ACADEMY EAST
FRANKLIN COUNTY, OHIO

AUDIT REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Dave Yost • Auditor of State

Board of Directors
Zenith Academy East
4606 Heaton Road
Columbus, OH 43229

We have reviewed the Independent Auditor's Report of the Zenith Academy East, Franklin County, prepared by James G. Zupka, CPA, 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 Zenith Academy East is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

May 3, 2017

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ZENITH ACADEMY EAST
FRANKLIN COUNTY, OHIO
AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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JAMES G. ZUPKA, C.P.A., INC.
Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board
Zenith Academy East
Columbus, Ohio

The Honorable Dave Yost
Auditor of State
State of Ohio

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Zenith Academy East, 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 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 that the Management's Discussion and Analysis and Schedules of Net Pension Liabilities and Pension 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 January 30, 2017, on our consideration of the Zenith Academy East's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Zenith Academy East's internal control over financial reporting and compliance.

James G. Zupka, CPA, Inc.

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

January 30, 2017

ZENITH ACADEMY EAST FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

The discussion and analysis of Zenith Academy East's (the Academy) 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 Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key highlights for 2016 are as follows:

Net position decreased $296,149 or 15.10%.

Total assets and deferred outflows increased $657,991 or 79.58%, due primarily to a $587,460 increase in Deferred Outflows of Resources related to GASB 68.

Total liabilities and deferred inflows increased $954,138 or 34.23% due primarily to a $1,106,200 increase in Net Pension Liability, netted with a $210,269 decrease in Deferred Inflows of Resources related to GASB 68.

The Academy had operating revenues of $2,501,053, operating expenses of $3,435,453 and non-operating revenues, consisting of federal and state grants of $638,251.

Using this Annual Financial Report

This annual report consist a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial position. The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

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

These documents look at all financial transactions and ask the question, "How did we do financially?" The Statement of Net Position and the Statement of Revenues, Expenses, and Change in Net Position answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's Net Position and change in total position. This change in net position is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on Pages 11 and 12 of this report.

The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its operations. The Statement of Cash Flows can be found on Page 13 of this report.

The Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity; therefore, the entity-wide and the fund presentations information is the same.

Table 1 provides a summary of The Academy's net position for 2016 compared to 2015.

ZENITH ACADEMY EAST FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(UNAUDITED)

Table 1
Net Position

	2016	2015
Assets:		
Current and Other Assets	$ 395,276	$ 334,674
Capital Assets, Net of Depreciation	248,716	238,788
Total Assets	643,992	573,462
Deferred Outflows of Resources		
Pension	840,862	253,402
Total Assets and Deferred Outflows of Resources	$1,484,854	$ 826,864
Liabilities:		
Current Liabilities	$ 271,339	$ 213,131
Net Pension Liabilities	3,266,613	2,160,414
Total Liabilities	3,537,952	2,373,545
Deferred Inflows of Resources		
Pension	204,005	414,274
Total Liabilities and Deferred Inflows of Resources	3,741,957	2,787,819
Net Position:		
Invested in Capital Assets	$ 248,716	$ 238,788
Unrestricted	(2,505,819)	(2,199,743)
Total Net Position	(2,257,103)	(1,960,955)
Total Liabilities, Deferred Inflows of Resources and Net Position	$1,484,854	$ 826,864

The adoption of GASB Statement 68, "Accounting and Financial Reporting for Pensions," 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 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 standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

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

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

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

As a result of implementing GASB 68, the Academy is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Cash and capital assets represented 79% of total assets. Capital assets are used to provide services to students and are not available for future spending.

Table 2 below shows the changes in net position for fiscal years 2016 and 2015.

Table 2
Change in Net Position

	2016	2015
Operating Revenues		
Foundation	$ 2,441,796	$ 2,255,854
Miscellaneous	59,257	51,704
Total Operating Revenues	2,501,053	2,307,558
Operating Expenses		
Salaries	1,147,579	1,348,998
Fringe Benefits	779,097	247,544
Purchased Services	1,349,088	1,260,131
Materials and Supplies	119,178	79,330
Depreciation	40,510	35,565
Total Operating Expenses	3,435,452	2,971,568
Operating (Loss)	(934,399)	(664,010)
Non-Operating Revenues:		
Federal and State Grants	638,251	828,630
Total Non-Operating Revenues	638,251	828,630
Change in Net Position	(296,148)	164,620
Net Position at Beginning of Year	(1,960,955)	(2,125,575)
Net Position at end of Year	$ (2,257,103)	$ (1,960,955)

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 2016 statements report pension expense of $309,362.

Fiscal year 2016 was the Academy's sixth full year in operation. Foundation revenues increased due to increased enrollment. This led to the increase in expenditures for employee salaries, benefits, and purchased services.

Operating foundation revenues and non-operating federal and state grants represent over 98% of the total revenues of the Academy.

Employee salaries and benefits, and purchased service expenditures represent 95% of the total operating expenses.

Budgeting

The Academy is not required to follow the budgetary provisions set forth in Ohio Revised Code Chapter 5705.

Capital Asset Administration

<u>Capital Assets</u>

At the end of fiscal year 2016, the Academy had $248,716 invested in leasehold improvements and furniture and equipment. Table 3 shows fiscal year 2016 balances compared to 2015:

Table 3
Capital Assets (Net of Depreciation)

	2016	**2015**
Depreciable Capital Assets		
Leasehold Improvements	$184,321	$166,327
Furniture and Equipment	64,395	72,461
Totals	$248,716	$238,788

For more information, see Note 6 to the basic financial statements.

Current Financial Issues

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, several changes are expected to occur in the nature of the funding and operations of the Academy in future fiscal years due to the State's current economic environment. The Academy is expected to continue to grow in both the number of students to 300, as well as the number of instructional staff, as it enters into its seventh year of operations, which will impact the Academy's funding since the Academy receives the majority of its finances from state aid.

Contacting the Academy's Financial Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Ashfaq Tashfeen, Executive Director, Zenith Academy East, 4606 Heaton Road, Columbus, Ohio, 43229, by calling (614) 888-9997 or e-mail aatashfeen@yahoo.com.

ZENITH ACADEMY EAST
FRANKLIN COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2016

Assets	
Current Assets:	
Cash	$ 258,353
Intergovermental Receivable	92,852
Prepaid Items	44,071
Total Current Assets	395,276
Noncurrent Assets:	
Capital Assets, Net of Accumulated Depreciation	248,716
Total Assets	643,992
Deferred Outflows of Resources	
Pension	840,862
Total Assets and Deferred Outflows of Resources	$1,484,854
Liabilities	
Current Liabilities:	
Accounts Payable	$ 9,252
Accrued Wages and Benefits	182,846
Intergovernmental Payable	79,241
Total Current Liabilities	271,339
Noncurrent Liabilities:	
Net Pension Liability	3,266,613
Total Liabilities	3,537,952
Deferred Inflows of Resources	
Pension	204,005
Total Liabilities and Deferred Inflows of Resources	$3,741,957
Net Position	
Invested in Capital Assets	248,716
Unrestricted	(2,505,819)
Total Net Position	(2,257,103)
Total Liabilities, Deferred Inflows of Resources and Net Position	$1,484,854

See notes to financial statements.

ZENITH ACADEMY EAST
FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Operating Revenues:	
Foundation	$ 2,441,796
Miscellaneous	59,257
Total Operating Revenues	2,501,053
Operating Expenses:	
Salaries	1,147,579
Fringe Benefits	779,097
Purchased Services	1,349,088
Materials and Supplies	119,178
Depreciation	40,510
Total Operating Expenses	3,435,452
Operating Loss	(934,399)
Non-Operating Revenues:	
Federal and State Grants	638,251
Total Non-Operating Revenues	638,251
Change in Net Position	(296,148)
Net Position Beginning of Year	(1,960,955)
Net Position at End of the Year	$ (2,257,103)

See notes to financial statements.

ZENITH ACADEMY EAST
FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities:	
Cash Received from Foundation Revenue	$ 2,417,896
Other Cash Receipts	59,257
Cash Payments to Employees for Services	(1,169,322)
Cash Payments for Employee Benefits	(394,269)
Cash Payments for Supplies or Services	(1,487,268)
Net Cash Used for Operating Activities	(573,705)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	638,251
Net Cash Provided by Noncapital Financing Activities	638,251
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(50,438)
Net Cash Used in Capital and Related Financing Activities	(50,438)
Net Decrease in Cash	14,108
Cash at Beginning of Year	244,245
Cash at End of Year	$ 258,353
Reconciliation of Operating (Loss) to Net Cash Used for Operating Activities:	
Operating Loss	(934,399)
Noncash adjustments:	
Depreciation	40,510
(Increase)/Decrease in Assets & Deferred Outflows	
Intergovernmental Receivable	(23,900)
Prepaids	(22,595)
Pension	(587,460)
Increase/(Decrease) in Liabilities & Deferred Inflows	
Accounts Payable	3,594
Accrued Wages and Benefits	(21,743)
Intergovernmental Payable	76,357
Pension	(210,269)
Net Pension Liability	1,106,199
Total Adjustments	360,694
Net Cash Used by Operating Activities	$ (573,705)

See Notes to Financial Statements.

ZENITH ACADEMY EAST
FRANKLIN COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

1. ORGANIZATION

Zenith Academy East (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The mission of the Academy is to provide an educational environment wherein students at the Academy will build a foundation of knowledge, will master core skills, and will develop a life-long love of learning that will empower them to fulfill their roles as citizens. The Academy will accomplish this mission by focusing on knowledge, civic values, and service. The Academy is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices, and all other operations.

In April 2010, the Board of Directors (the Board) entered into a contract with St. Aloyius Orphanage of Ohio (the Sponsor). The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a five-member Board of Directors. The Board is responsible for carrying out the provisions of the sponsor 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.

2. SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Position; a Statement of Revenues, Expenses, and Change in Net Position; and a Statement of Cash Flows.

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

B. Measurement Focus

The financial statements are prepared using a flow of economic resources measurement focus. All assets, deferred outflows, liabilities, and deferred inflows associated with the operation of the Academy are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Change in Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The Statement of Cash Flows provides information about how the Academy finances and meet the cash flow needs of its activities.

C. Basis of Accounting

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

D. Budgetary Process

Unlike other public schools located in the State of Ohio, the Academy is not required to follow the budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast, which is updated on an annual basis.

E. Cash

Cash received by the Academy is reflected as “Cash” on the Statement of Net Position. The Academy did not have any investments as of June 30, 2016.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000 dollars. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. Improvements are capitalized. The Academy does not capitalize interest.

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

Leasehold Improvements	27 Years
Furniture and Equipment	5 Years

G. 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 Academy, deferred outflows of resources are reported on the Statement of Net Position for pension. The deferred outflows of resources related to pension are explained in Note 9.

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

H. 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.

I. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets consist of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The Academy did not have any restricted net position at June 30, 2016.

J. Operating Revenues and Expenses

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

K. Estimates

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

3. NEW PRONOUNCEMENTS

For fiscal year 2016, the Academy implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” GASB Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” and GASB Statement No. 82, “Pension Issues - an Amendment of GASB Statements No. 67, No. 68 and No. 73.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes for applying fair value to certain investments and disclosures related to all fair value measurements. These changes were incorporated in the Academy’s fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 76 identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The implementation of this GASB pronouncement did not result in any changes to the Academy’s financial statements.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Academy's fiscal year 2016 financial statements; however, there was no effect on beginning net position/fund balance.

4. DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of bank failure, the Academy' deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2016, the bank balance of the Academy's deposits were $296,831. The bank balance up to $250,000 was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit of funds by the Academy.

5. RECEIVABLES

At June 30, 2016, receivables consisted of intergovernmental receivables of $92,852 from the Ohio Department of Education for grants and entitlements.

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital Assets:				
Leasehold Improvements	$ 193,148	$ 25,749	$ -	$ 218,897
Furniture and Equipment	153,864	24,689	-	178,553
Total Capital Assets	347,012	50,438	-	397,450
Less Depreciation:				
Leasehold Improvements	(26,820)	(7,755)	-	(34,575)
Furniture and Equipment	(81,404)	(32,755)	-	(114,159)
Total Depreciation	(108,224)	(40,510)	-	(148,734)
Capital Assets, Net of Depreciation	$ 238,788	$ 9,928	$ -	$ 248,716

7. RISK MANAGEMENT

Property and Liability Insurance

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and

omissions; injuries to employees and natural disasters. During fiscal year 2016, the Academy contracted with Morgan, Trevathan, & Gunn, Inc. for property and general liability insurance, respectively, with a $1,000,000 single occurrence limit, $2,000,000 annual aggregate, and $1,000 deductible.

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

Workers’ Compensation

The Academy pays the State Workers Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the State. The Academy owed approximately $6,003 for this premium on January through June 2016 wages. This liability is reflected in Accounts Payable in the Statement of Net Position at June 30, 2016.

8. EMPLOYEE BENEFITS

The Academy provides health, drug, and dental insurance for all eligible employees through United Healthcare. The Academy pays 75% of the monthly premium and employees pay the remaining 25%. The Academy does not provide life insurance and accidental death and dismemberment insurance to employees.

9. 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.

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. 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.

School Employees Retirement System

Plan Description - The Academy's non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is

provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Rescources.

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 Academy is required to contribute 14% 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 amount 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 fiscal year ended June 30, 2016, the allocations to pension, death benefits, and Medicare B were 13.21%, .05%, and .74%, respectively. No amount was allocated to the Health Care Fund.

The Academy's contractually required contribution to SERS for the fiscal years ended June 30, 2016, 2015, and 2014 were $63,102, $61,316, and $39,022 respectively; 100% percent has been contributed for fiscal years 2016, 2015, and 2014.

State Teachers Retirement System

Plan Description - The Academy's licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administerd 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 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website 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 year 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 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 Academy 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.

The Academy’s required contributions for pension obligations to STRS Ohio for the DB Plan for the fiscal years ended June 30, 2016, 2015 and 2014 were $120,123, $170,496, and $106,642, respectively. 100% percent has been contributed for fiscal years 2016, 2015, and 2014.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

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 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
Proportion of the Net Pension Liability-Prior Measurement Date	0.009592%	0.007455%	
Proportion of the Net Pension Liability-Current Measurement Date	0.013974%	0.008935%	
Change in Proportionate Share	0.004382%	0.001479%	
Proportionate Share of the Net Pension Liability	$797,376	$2,469,237	$3,266,613
Pension Expense	$112,500	$ 196,862	$ 309,362

At June 30, 2016, 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			
Difference between expected and actual economic experience	$ 12,839	$ 112,566	$ 125,405
Changes in proportionate share and difference betweeen Academy's contributions	193,926	338,306	532,232
Academy contributions subsequent to the measurement date, June 30, 2015	63,102	120,123	183,225
Total Deferred Outflows of Resources	$ 269,867	$ 570,995	$ 840,862
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 26,420	$ 177,585	$ 204,005
Total Deferred Inflows of Resources	$ 26,420	$ 177,585	$ 204,005

$183,225 reported as deferred outflows of resources related to pension resulting from Academy contributions subsequent to 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:			
2017	$ (45,086)	$ (68,322)	$ (113,408)
2018	(45,086)	(68,322)	(113,408)
2019	(45,086)	(68,322)	(113,408)
2020	(45,087)	(68,321)	(113,408)
Total	$ (180,345)	$ (273,287)	$ (453,632)

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 arecompared 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.

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 %	

Discount Rate

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

Sensitivity of the Academy’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Academy's proportionate share of the net pension liability	$1,105,674	$ 797,376	$ 537,764

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 increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of pension plan investment expense, including inflation
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
Total	100.00 %	

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 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, 2015.

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 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%	Discount Rate 7.75%	1% Increase 8.75%
Academy's proportionate share of the net pension liability	$ 3,429,957	$ 2,469,237	$1,656,806

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. At June, 30, 2016, all Board Members contributed to Social Security.

10. POST EMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan, and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at:www.ohsers.org under Employer/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e).

For 2016, 0% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2016, this amount was $7,519. During fiscal year 2016, the Academy paid $7,519 in surcharge.

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, 2016, 2015, and 2014, were $0, $17,499, and $11,595 respectively; 100 percent has been contributed for fiscal years 2015 and 2014.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2016, this actuarially required allocation was 0.74 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2016, 2015, and 2014, were $3,335, $3,155 and $2,063, respectively; 100 percent has been contributed for fiscal years 2016, 2015 and 2014.

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. 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. All benefit recipients pay a monthly premium. 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 – Under 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 postemployment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate employer contributions to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014, were $0, $0, and $9,374 respectively; 100% has been contributed for all fiscal years.

11. BUILDING LEASE

The Academy leases its facilities from Onlok (formerly the Academy Child) under a lease agreement entered into on October 15, 2010; and was renewed beginning January 1, 2015. The total amount paid during fiscal year 2016 was $282,620.

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

2017	$ 282,624
2018	282,624
2019	282,624
2020	141,312
Total Minimum Lease Payments	$ 989,184

12. TAX EXEMPT STATUS

The Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy was approved on July, 14, 2011 for tax exempt status under 501(C)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's nonprofit status.

13. PURCHASED SERVICES

For the period of July 1, 2015 through June 30, 2016

purchased service expenses were as follows:

Technical Services	$ 64,859
Legal, Accounting, Professional	153,997
Professional Development	22,273
Transportation	310,936
Rent and Property Services	468,768
Catering	251,386
Sponsor Fees	69,248
Other	7,621
TOTAL	$1,349,088

14. LONG-TERM OBLIGATIONS

The changes in the Academy’s long-term obligations during the fiscal year consist of the following:

	Principal Outstanding June 30,2015	Additions	Reductions	Principal Outstanding June 30, 2016	Amount Due Within One Year
Net Pension Liability					
SERS	$ 347,017	$ 450,359	$ -	$ 797,376	$ -
STRS	1,813,397	655,840	-	2,469,237	-
Total	$2,160,414	$1,106,199	$ -	$ 3,266,613	$ -

Obligations related to employee compensation will be paid from the program benefitting from their service.

15. SPONSOR CONTRACT

The Academy entered into a contract continuing through June 30, 2019, with The St. Aloysius Orphanage of Ohio (the Sponsor) for its establishment. Under the contract, the following terms were agreed upon:

The Academy shall operate in substantial compliance with its "Educational Program", which contains the Academy's mission, educational philosophy, the ages and grades of students, the characteristics of the students the Academy is expected to attract, the Academy calendar, the academic goals and the method of measurement that will be used to determine progress toward those goals, graduation requirements, and the focus of the curriculum.

The Academy shall operate in substantial compliance with a "Financial Plan", which establishes an estimated school budget for each year and a total estimated per pupil expenditure amount for each such year. The Academy shall secure the services of a Chief Executive Officer, who shall be the chief operating officer of the school, with primary responsibility for day-to-day operations of the Academy, and a liaison between the Academy and Sponsor.

As part of the agreement, the Academy agreed to compensate the Sponsor three percent of all funds received by the Academy from funding provided by ODE, including state start-up grants, for the time, organization, oversight, fees and costs of the Sponsor in overseeing the Academy. Total contract payments of $69,248 were paid related to the provision of this contract as of June 30, 2016.

16. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, the effect of, any such disallowance claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2016.

B. Full Time Equivalency

As of the date of this report, ODE has not finalized the impact of enrollment to the June 30, 2016 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. ODE and management believes this could result in either a receivable to or liability of the Academy.

17. SUBSEQUENT EVENT

The Academy entered into a one year contract on July 1, 2016 with Massa Financial Solutions, LLC. to oversee it’s financial operations. The contracted amount is $29,000 per year. Upon the expiration of the term, the agreement shall be renewed automatically for renewal terms in one year durations, unless terminated by either party providing ninety days written notice of intention not to renew prior to the end of the term or any current renewal term.

18. DATE OF MANAGEMENT REVIEW

The financial statements and related disclosures include evaluation of events up through and including January 30, 2017, which is the date the financial statements were available for issue.

Zenith Academy East
Schedule of the Academy's Proportionate Share of Net Pension Liability
School Employees Retirement System of Ohio
Last Three Fiscal Years (1)*

	2015	2014	2013
Academy's Proportion of Net Pension Liability	0.0139741%	0.0095920%	0.0095920%
Academy's Proportionate Share of the Net Pension Liability	$ 797,376	$ 347,017	$ 426,329
Academy's Covered-Employee Payroll	$ 450,729	$ 278,729	$ 202,729
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll	176.91%	124.50%	210.30%
Plan Fiduciary Net Position as Percentage of the Total Pension liability	69.16%	71.70%	65.52%

Note 1: Information prior to 2013 is not available.

*Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior fiscal year end.

Source: School Employees Retirement System of Ohio and school records

See notes to financial statements.

Zenith Academy East
Schedule of the Academy's Proportionate Share of Net Pension Liability
State Teachers Retirement System of Ohio
Last Three Fiscal Years (1)*

	2015	2014	2013
Academy's Proportion of Net Pension Liability	0.008935%	0.007455%	0.007455%
Academy's Proportionate Share of the Net Pension Liability	$2,469,237	$1,813,397	$2,160,107
Academy's Covered-Employee Payroll	$ 858,021	$ 761,728	$ 705,307
Academy's Proportionate Share of the Net Pension Liability as a Percentage of its Covered -Employee Payroll	287.78%	238.06%	306.26%
Plan Fiduciary Net Position as Percentage of the Total Pension liability	72.10%	74.70%	69.30%

Note 1: Information prior to 2013 is not available.

*Amounts presented for each fiscal year were determined as of the Academy's measurement date which is the prior fiscal year end.

Source: School Teachers Retirement System of Ohio and school records

Zenith Academy East
Schedule of Academy Contributions
School Employees Retirement System of Ohio
Last Six Fiscal Years

	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 63,102	$ 61,316	$ 39,022	$ 28,382	$ 12,974	$ 28,782
Contributions in Relation to the Contractually Required Contribution	(63,102)	(61,316)	(39,022)	(28,382)	(12,974)	(28,782)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Academy's Covered Employee Payroll	$ 450,729	$ 437,971	$ 278,729	$ 202,729	$ 92,671	$ 205,586
Contributions as a Percentage of Covered-Employee Payroll	14.00%	13.18%	13.86%	13.84%	13.45%	12.57%

Source: School Employees Retirement System

See notes to financial statements.

Zenith Academy East
Schedule of Academy Contributions
State Teachers Retirement System of Ohio
Last Six Fiscal Years

	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 120,123	$ 170,496	$ 106,642	$ 98,743	$ 72,761	$ 58,375
Contributions in Relation to the Contractually Required Contribution	(120,123)	(170,496)	(106,642)	(98,743)	(72,761)	(58,375)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
Academy's Covered Employee Payroll	$ 858,021	$ 1,217,828	$ 761,728	$ 705,307	$ 519,721	$ 416,964
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	13.00%	13.00%	13.00%

Source: State Teachers Retirement System

See notes to financial statements.

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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 the Members of the Board	The Honorable Dave Yost
Zenith Academy East	Auditor of State
Columbus, Ohio	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 the Zenith Academy East, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated January 30, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Zenith Academy East's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Zenith Academy East's internal control. Accordingly, we do not express an opinion on the effectiveness of the Zenith Academy East'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 Zenith Academy East'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. Therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we considered a material weakness as item **2016-001**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Zenith Academy East'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item **2016-001**.

Academy's Response to Findings

The Academy's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Zenith Academy East'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 Zenith Academy East's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James G. Zupka, CPA, Inc.

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

January 30, 2017

Finding 2016-001 - Material Weakness - Internal Controls Over Financial Reporting and Compliance Violation

Condition/Criteria

Ohio Administration Code 117-2-03(B) and 125:3-1-01 (A)(2), Ohio Revised Code Sections 117.38, 1724.05, and 1726.11, and Auditor of State Bulletin 2015-07 - Annual Financial Reporting - states, in part, ... "All other entity types required to file with the Auditor of State are required to report via the Hinkle System for periods ended in 2015 and thereafter". Also, per Ohio Revised Code Section 117.38, entities filing on a GAAP-basis must file annual reports within 150 days of the entity's fiscal year end, unless an extension is granted by the Auditor of State.

The Academy did not file its annual report within 150 days of its fiscal year end and did not request an extension. In addition, we noted that the report that was filed was not complete. Portions of the Management's Discussion and Analysis, Statement of Cash Flows, and footnote disclosures were not updated for the current year.

Also, audit adjustments were posted to correct financial activity for 2016 for the pension liability.

Cause/Effect

The lack of controls over filing complete and accurate financial statements on a timely basis can result in errors and irregularities that may go undetected and decreases the reliability of the financial data at year end.

Recommendation

We recommend that the Academy implement controls and procedures related to the financial reporting that will enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and footnotes.

Academy Response

Controls and procedures have been implemented to ensure the timely and complete filing of the annual report into the Hinkle System. For the fiscal year 2016, a new Treasurer has been retained, but access to the Hinkle System was unassigned. In addition, the complexity of GASB 68 calculations and disclosures required unusually expanded work to arrive at accurate amounts. A set of workbooks has been devised to transfer to successive staff so as to prevent this in the future.

ZENITH ACADEMY EAST
FRANKLIN COUNTY, OHIO
SCHEDULE OF PRIOR CITATIONS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2016

The prior audit report, as of June 30, 2015, included no citations or instances of noncompliance. Management letter recommendations were corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

Dave Yost • Auditor of State

ZENITH ACADEMY EAST

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 16, 2017

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