



Dave Yost • Auditor of State

**NEW DAY ACADEMY BOARDING AND DAY
CUYAHOGA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

New Day Academy Boarding and Day School
Cuyahoga County
291 East 222nd Street
Euclid, Ohio 44123

To the Board of Directors:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

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*, as 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 June 11, 2014, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

June 11, 2014

**New Day Academy Boarding & Day School
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

The discussion and analysis of New Day Academy Boarding & Day School’s (the Academy), financial performance provides an overall review of the Academy’s financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the Academy’s financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy’s financial performance.

Financial Highlights

- In total, net position decreased by \$146,515.
- Total assets decreased \$140,867. Cash and cash equivalents decreased \$166,571. Accounts Receivable decreased \$1,502. Capital Assets increased \$27,206.
- Total liabilities increased \$5,648. Accounts Payable increased \$28,332. Accrued wages and benefits decreased \$19,214. Non-current liabilities was \$19,203 in fiscal year 2013.

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.

Statement of Net Position

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, answer the question, “How did we do financially during 2013?” These statements include all assets, liabilities, revenues and expenses, both financial and capital, 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 Academy’s net position for fiscal year 2013 and fiscal year 2012:

Table 1
Net Position

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets	\$333,565	\$501,638
Capital Assets, Net	<u>35,059</u>	<u>7,853</u>
Total Assets	<u>368,624</u>	<u>509,491</u>
Liabilities		
Non-current Liabilities	19,203	0
Other Liabilities	<u>172,585</u>	<u>186,140</u>
Total Liabilities	<u>191,788</u>	<u>186,140</u>
Net Position		
Net Investment in Capital Assets	15,856	7,853
Unrestricted	<u>160,980</u>	<u>315,498</u>
Total Net Position	<u>\$176,836</u>	<u>\$323,351</u>

**New Day Academy Boarding & Day School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Net Position decreased by \$146,515, which is mainly due to the decrease in current assets. Over time, net position can serve as a useful indicator of financial position. At June 30, 2013, the Academy's assets exceeded liabilities by \$176,836.

Table 2 shows the changes in net position for fiscal year 2013 and fiscal year 2012, as well as a listing of revenues and expenses.

Table 2
Changes in Net Position

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Foundation Payments	\$1,694,091	\$1,935,666
Student Fees	17,654	21,972
Other	4,799	3,909
Total Operating Revenues	<u>1,716,544</u>	<u>1,961,547</u>
Operating Expenses		
Salaries	934,295	933,762
Fringe Benefits	428,784	391,854
Purchased Services	765,624	405,661
Supplies and Materials	55,750	72,195
Depreciation	13,394	6,085
Other	43,412	84,921
Total Operating Expenses	<u>2,241,259</u>	<u>1,894,478</u>
Operating income (loss)	(524,715)	67,069
Non-Operating Revenue and Expenses		
Federal & State Grants	521,855	466,231
Food Service Expense	(144,172)	(80,784)
EMIS Penalty	0	(12,545)
Investment Earnings	17	0
Other	500	0
Total Non-Operating Revenues and Expenses	<u>378,200</u>	<u>372,902</u>
Change in Net Position	(146,515)	439,971
Net Position Beginning of Year	<u>323,351</u>	<u>(116,620)</u>
Net Position End of Year	<u><u>\$176,836</u></u>	<u><u>\$323,351</u></u>

Net Position decreased by \$146,515. Operating revenues decreased mainly due to a decrease in monies received from state foundation in 2013 as compared to 2012. Operating Expenses increased mainly due to increases in Purchased Services Expenses, which was mainly due to increases in management fees expenses, instruction & professional services expenses and facility and equipment rental expenses.

**New Day Academy Boarding & Day School
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(Unaudited)**

Capital Assets

At the end of fiscal year 2013, the Academy had \$35,059 invested in Furniture, Fixtures, and Equipment. See Table 3 for details:

Table 3
Capital Assets

	<u>2013</u>	<u>2012</u>
Furniture, Fixtures and Equipment	\$35,059	\$7,853

For more information on capital assets, see Note 4 to the basic financial statements.

Debt

At fiscal year end, the District had \$19,203 in capital leases payable, \$3,325 due within one year. Table 4 summarizes notes and capital leases outstanding at year end.

Table 4
Outstanding Debt at Year End

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Capital Leases	\$19,203	\$0

See Note 8 and 9 of the Notes to the Basic Financial Statements for further details on the District's long-term obligations.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact Ms. Sonya Williams, Treasurer, at the New Day Academy Boarding & Day School, 291 East 222nd Street #205, Euclid, Ohio 44123 or email at sjw91969@yahoo.com.

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NEW DAY ACADEMY BOARDING & DAY SCHOOL

Statement of Net Position

June 30, 2013

Assets**Current Assets:**

Cash and Cash Equivalents	\$271,341
Accounts Receivable	62,224
Total Current Assets	<u>333,565</u>

Non-Current Assets:

Capital Assets:

Depreciable Capital Assets, Net	<u>35,059</u>
Total Non-Current Assets	<u>35,059</u>

Total Assets 368,624

Liabilities**Current Liabilities:**

Accounts Payable	28,407
Accrued Wages and Benefits	144,178
Total Current Liabilities	<u>172,585</u>

Non-Current Liabilities:

Due Within One Year	3,325
Due In More Than One Year	15,878
Total Non-Current Liabilities	<u>19,203</u>

Total Liabilities 191,788

Net Position

Net Investment in Capital Assets	15,856
Unrestricted	<u>160,980</u>

Total Net Postion \$176,836

See accompanying notes to the basic financial statements

NEW DAY ACADEMY BOARDING & DAY SCHOOL

Statement of Revenues, Expenses and

Changes in Net Position

For the Fiscal Year Ended June 30, 2013

Operating Revenues	
Foundation Payments	\$1,694,091
Student Fees	17,654
Other	4,799
	<hr/>
Total Operating Revenues	1,716,544
	<hr/>
Operating Expenses	
Salaries	934,295
Fringe Benefits	428,784
Purchased Services	765,624
Materials and Supplies	55,750
Depreciation	13,394
Other	43,412
	<hr/>
Total Operating Expenses	2,241,259
	<hr/>
Operating Loss	(524,715)
	<hr/>
Non-Operating Revenues and Expenses	
Federal and State Grants	521,855
Food Service Expense	(144,172)
Investment Earnings	17
Other	500
	<hr/>
Total Non-Operating Revenues and Expenses	378,200
	<hr/>
Change in Net Position	(146,515)
	<hr/>
Net Position Beginning of Year	323,351
	<hr/>
Net Position End of Year	\$176,836
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See accompanying notes to the basic financial statements

NEW DAY ACADEMY BOARDING & DAY SCHOOL

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2013

Increase in Cash and Cash Equivalents:**Cash Flows from Operating Activities:**

Cash Received from Foundation Payments	\$1,694,091
Cash Received from Other Operating Revenues	23,954
Cash Payments to Employees for Services	(1,382,293)
Cash Payments to Suppliers for Goods and Services	(793,042)
Cash Payments for Miscellaneous	(43,412)

Net Cash Used by Operating Activities (500,702)

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	519,659
Food Service Expense	(144,172)
Other	500

Net Cash Provided by Noncapital Financing Activities 375,987

Cash Flows from Capital and Related Financing Activities:

Capital Lease Principal Payments	(781)
Capital Lease Interest Payments	(492)
Acquisition of Capital Assets	(40,600)

Net Cash Used by Capital and Related Financing Activities (41,873)

Cash Flows from Investing Activities:

Earnings on Investments	17
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Net Cash Provided by Investing Activities 17

Net Decrease in Cash and Cash Equivalents (166,571)

Cash and Cash Equivalents at Beginning of Year 437,912

Cash and Cash Equivalents at End of Year \$271,341

Reconciliation of Operating Income to Net Cash
Used by Operating Activities:

Operating Loss (524,715)

Adjustments To Reconcile Operating Loss to Net Cash
Used by Operating Activities:

Depreciation 13,394

Changes in Assets and Liabilities:

(Increase) in Accounts Receivable	1,501
(Decrease) in Accounts Payable	28,332
(Decrease) in Accrued Wages	(19,214)

Total Adjustments 24,013

Net Cash Used by Operating Activities (\$500,702)

See accompanying notes to the basic financial statements

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New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 1 - Description of the Academy

New Day Academy Boarding & Day School (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching services. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under contract with the Educational Resources Consultants of Ohio, Inc. for a period commencing July 1, 2013 and ending June 30, 2015. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The Academy operates under a five member self-appointed Board of Trustees. The Academy's Code of Regulations specifies that vacancies that arise on the Board are filled by the appointment of a successor trustee by a majority vote of the existing Board. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

In fiscal year 2013, New Day Academy began to work with a management company called World Class Community Schools (WCCS). The Academy separated into two locations due to space availability. The other address for New Day Academy is 32114 Vine Street, Willowick, Ohio 44095. During the current fiscal year, students between grades 6 through 12 were located there. In fiscal year 2013, the Academy also added transportation, which shuttles some students from one campus to the other.

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

The Academy uses enterprise accounting to maintain its financial records. Enterprise fund reporting focuses on the determination of the change in Net Position, financial position and cash flows.

Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the years when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code, Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does not prescribe formal budgetary provisions; however, it does prescribe that the Academy's Administrator compares income and expense to actual figures on a regular basis and also prescribes that the board will review and compare expenses and income from reports prepared by the Academy's treasurer on a monthly basis. Under Ohio Revised Code Section 5705.391, the Academy must prepare a five-year funding plan and submit it to the Ohio Superintendent of Public Instruction.

Capital Assets and Depreciation

The Academy maintains a capitalization threshold of one thousand dollars.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset's life are not capitalized.

All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Automobiles	4 years
Furniture and Equipment	3 - 7 years

Net Position

Net position represents the difference between assets and liabilities. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Assets, consist of capital assets, net of accumulated depreciation.

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operation expenses are the necessary costs incurred to provide the goods or services that occur in carrying out the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

Estimates

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

Note 3 – Cash and Cash Equivalents

At fiscal year end June 30, 2013, the carrying amount of the Academy’s deposits totaled \$271,341. As of June 30, 2013, \$15,403 of the Academy’s bank balance was exposed to custodial risk because it was uninsured.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

Investments: The Academy had no investments at June 30, 2013, or during the fiscal year.

Note 4 - Capital Assets

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

	Balance 06/30/12	Additions	Deletions	Balance 06/30/13
Furniture, Fixtures and Equipment	\$65,779	\$15,600	\$0	\$81,379
Vehicles	17,000	25,000	0	42,000
Total Capital Assets being Depreciated	<u>82,779</u>	<u>40,600</u>	<u>0</u>	<u>123,379</u>
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	73,051	4,869	0	77,920
Vehicles	1,875	8,525	0	10,400
Total Accumulated Depreciation	<u>74,926</u>	<u>13,394</u>	<u>0</u>	<u>88,320</u>
Total Capital Assets, Net	<u>\$7,853</u>	<u>\$27,206</u>	<u>\$0</u>	<u>\$35,059</u>

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 5 - Risk Management

Property and Liability

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. For fiscal year 2013, the Academy contracted with Indiana Insurance Company for property and general liability insurance. There is a \$500 deductible for the general liability and a \$1,000 deductible for property insurance.

There were no significant reductions in insurance coverage from the prior year. Also, there were no settlements that exceeded insurance coverage for the past three fiscal years.

Workers Compensation

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

Note 6 – Pension Plans

School Employees Retirement System of Ohio

Plan Description

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2013, 2012, and 2011 were \$25,608, \$24,384, and \$21,072, respectively; 50% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

State Teachers Retirement System of Ohio

Plan Description

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to 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. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The Academy's contributions to STRS for the years ended June 30, 2013, 2012, and 2011 were \$127,601, \$111,908 and \$105,952, respectively; 69% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 7 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was 0.74%. Academy contributions for the year ended June 30, 2013, 2012 and 2011 were \$1,354, \$1,324, and \$1,144, respectively, which equaled the required contributions each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2013, the health care allocation was 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2013, 2012, and 2011 were \$293, \$2,491, and \$2,152, respectively; 50% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2013, 2012 and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. The Academy's contributions for the years ended June 30, 2013, 2012, and 2011 were \$9,815, \$8,608, and \$8,150, respectively; 69% has been contributed for fiscal year 2013 and 100% for fiscal years 2012 and 2011.

Note 8 - Long-Term Liabilities

	<u>Beginning Principal Outstanding</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Principal Outstanding</u>	<u>Due In One Year</u>
Capital Leases	\$0	\$19,984	\$781	\$19,203	\$3,325

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 9 - Capital Leases

During 2013, the Academy entered into a vehicle lease for \$19,984. The Academy capitalized the vehicle related to the lease. The lease expires in 2018.

The above leases meet the criteria of capital leases as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. The gross amount of assets acquired under capital leases is \$19,984.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending June 30	
2014	\$5,094
2015	5,094
2016	5,094
2017	5,094
2018	3,820
Total Minimum Lease Payments	24,196
Less: Amount Representing Interest	(4,993)
Present Value of Minimum Interest Payments	<u>\$19,203</u>

Note 10 – Contingencies

Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2013.

Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of the review could result in state funding being adjusted. The Ohio Department of Education has not completed its review of the Academy's enrollment data for fiscal year 2013, so this amount has not been included on the accompanying financial statements.

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 11 – Operating Lease

The Academy is a lessee for a twelve-month building operating lease for the period of July 1, 2012 through June 30, 2013 with the City of Euclid (the lessor). Rent is payable in monthly installments of \$4,362 and is due by the fifteenth day of each month.

Note 12 - Purchased Services

For the year ended June 30, 2013, the purchased service expenses were comprised of the following:

Sponsor Fees	\$50,823
Utilities	10,968
Facility & Equipment Rentals	161,885
Telephone	7,066
Postage	3,630
Advertising	17,566
Liability Insurance	22,324
Other Administrative:	
Management Fees	147,522
Instruction & Professional Services	108,940
Treasury Services	30,650
Payroll Expenses	3,606
Janitorial Services	38,895
Pupil Transportation	62,085
Human Resource & Other Purchased Services	99,664
Total Purchased Services	<u>\$765,624</u>

Note 13 – Related Party Transactions

The Academy paid \$130 to Terrance Walton II, Headmaster Terrance Walton's son, for helping with moving assets to the new building.

Note 14 – Change in Accounting Principles

The Academy adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants' (AICPA) accounting and financial reporting guidance issued on or before November 30, 1989 into GASB authoritative literature. GASB Statement No. 63 provides financial reporting guidance for deferred outflows and inflows of resources and net position. The implementation of GASB Statement No. 63 has changed the presentation of the Academy's financial statements to incorporate the concepts of net position.

New Day Academy Boarding & Day School
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2013

Note 15 – Management Company

The Academy contractually engages with World Class Community Schools (WCCS) to the extent permitted by law, to provide the operation management and internal administrative oversight by providing the specific functions relating to the provision of educational services and the management and operation of the Academy. The agreement is good for five academic years, expiring on June 30, 2018. The agreement shall be automatically renewed after the primary term for an additional term of one year and for successive one-year terms thereafter. The Academy paid a management fee of \$203,264 and legal fees of \$5,000 to WCCS in 2013.

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Dave Yost • Auditor of State

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

New Day Academy Boarding and Day School
Cuyahoga County
291 East 222nd Street
Euclid, Ohio 44123

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 New Day Academy Boarding and Day School, Cuyahoga County, (the Academy) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated June 11, 2014.

Internal Control Over Financial Reporting

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

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 Academy's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State
Columbus, Ohio

June 11, 2014

**NEW DAY ACADEMY BOARDING AND DAY SCHOOL
CUYAHOGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Condition of Accounting Records – The Academy did not maintain adequate accounting records and supporting documentation.	No	Partially corrected. Remaining discrepancies were not material. Repeated in the Management Letter.

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

New Day Academy Boarding and Day School
Cuyahoga County
291 East 222nd Street
Euclid, Ohio 44123

To the Board of Directors:

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

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

1. In our report dated November 7, 2013, we noted the Board adopted an anti-harassment policy on May 30, 2013. However, this policy did not include all matters required by Ohio Rev. Code 3313.666.
2. The Board amended the policy on November 21, 2013. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code 3313.666.

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

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

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State
Columbus, Ohio

June 11, 2014

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Dave Yost • Auditor of State

NEW DAY ACADEMY BOARDING AND DAY SCHOOL

CUYAHOGA 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
JUNE 26, 2014**