

# WINTERFIELD VENTURE ACADEMY



Audit Report, Office of Management and Budget  
Circular A-133 Reports Including Supplemental  
Schedule of Expenditures of Federal Awards as of  
and for the Year Ended June 30, 2014





# Dave Yost • Auditor of State

Board of Directors  
Winterfield Venture Academy  
305 Wenz Road  
Toledo, Ohio 43615

We have reviewed the *Independent Auditors' Report* of the Winterfield Venture Academy, Lucas County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. 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 Winterfield Venture Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 16, 2015

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# WINTERFIELD VENTURE ACADEMY

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**INDEPENDENT AUDITORS' REPORT**

Winterfield Venture Academy  
Lucas County  
305 Wenz Road  
Toledo, Ohio 43615

To the Board of Directors:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the Winterfield Venture Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2014, 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 the overall financial statement presentation.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Winterfield Venture Academy, Lucas County, Ohio as of June 30, 2014, 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*, listed in the table of content, 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.

#### *Supplementary and Other Information*

Our audit was conducted to opine on the Academy's basic financial statements taken as a whole.

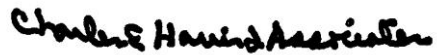
The Supplemental Schedule of Receipts and Expenditures of Federal Awards presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 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.



***Charles E. Harris & Associates, Inc.***  
December 24, 2014

# WINTERFIELD VENTURE ACADEMY

## MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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The discussion and analysis of Winterfield Venture Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities through June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. It should be read in conjunction with the financial statements and notes to the financial statements, which immediately follow this section, to enhance understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Financial Statements — and Management's Discussion and Analysis — for State and Local Government*, issued June, 1999.

### Financial Highlights

For the fiscal year ended June 30, 2014, total assets were \$288,169, total liabilities were \$23,810, and total net position was \$34,359.

### Using this Financial Report

This report consists of the MD&A, the financial statements, and notes to those statements. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

### Reporting the Academy as a Whole

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net position — the difference between assets and liabilities, as reported in the statement of net position — as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position — as reported in the statement of net position — are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The statement of net position and the statement of revenues, expenses, and changes in net position report the activities for the Academy, which encompass all the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities. The Academy has entered into a services agreement (the "Agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the Agreement, NHA also provides the facility in which the Academy operates. Under the terms of the Agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

The table below provides a summary of the Academy's net position for fiscal years ended June 30:

	<b>2014</b>	<b>2013</b>
Assets:		
Current assets	\$ 279,054	\$ 297,688
Capital assets, net of accumulated depreciation	<u>9,115</u>	<u>11,862</u>
Total assets	288,169	309,550
Liabilities—current	<u>253,810</u>	<u>291,566</u>
Net position:		
Net investment in capital assets	9,115	11,862
Restricted - Food Service Fund	13,121	-
Unrestricted	<u>12,123</u>	<u>6,122</u>
Total net position	<u>\$ 34,359</u>	<u>\$ 17,984</u>

The unrestricted net position represent the accumulated results of the Academy's operations to date. These assets can be used to finance day-to day-operations without constraints, such as legislative or legal requirements. The results of the current-year operations for the Academy as a whole are reported in the statement of revenues, expenses, and changes in net position, which shows the change in net position.

## Statement of Revenues, Expenses, and Changes in Net position

The table below shows the changes in net position as well as a listing of revenues and expenses for the fiscal years ending June 30:

	2014	2013
Operating revenues:		
Foundation payments	\$ 3,627,168	\$3,759,307
Food services	6,600	5,257
Other revenues	<u>80,470</u>	<u>18,992</u>
Total operating revenues	<u>3,714,238</u>	<u>3,783,556</u>
Operating expenses:		
Depreciation	2,747	1,400
Expenses of the Board of Directors	29,000	-
Contracted service fee	<u>5,218,889</u>	<u>5,691,531</u>
Total operating expenses	<u>5,250,636</u>	<u>5,692,931</u>
Operating loss	<u>(1,536,398)</u>	<u>(1,909,375)</u>
Nonoperating revenues:		
Federal grants	854,397	921,242
State grants	7,187	16,788
Private sources—NHA	<u>691,189</u>	<u>982,143</u>
Total nonoperating revenues	<u>1,552,773</u>	<u>1,920,173</u>
Change in net position	<u>\$ 16,375</u>	<u>\$ 10,798</u>

As reported in the statement of revenues, expenses, and changes in net position, the cost of business activities was \$5,250,636. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. *Non-Operating Revenues — Private sources — NHA* represent a contribution granted by NHA for the excess of Academy expenses over public revenues available.

The Academy experienced an increase in net position of \$16,375 in 2014. Under the terms of the Agreement, NHA provides a spending account to the Board of Directors for discretionary expenditures. The primary reason for the change in net position is the timing of these discretionary expenditures.

### Capital Assets

At June 30, 2014, the Academy had \$9,115 invested in capital assets from board discretionary funds, primarily other equipment. Capital assets are substantially provided as part of the agreement with NHA.

### **General Economic Factors**

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the Academy in 2014.

### **Contacting the Academy's Financial Management**

The financial report is designed to provide users of the report with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste. 201, Grand Rapids, MI 49512.

# WINTERFIELD VENTURE ACADEMY

## STATEMENT OF NET POSITION

JUNE 30, 2014

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### CURRENT ASSETS:

Cash	\$	12,123
Intergovernmental receivable		<u>266,931</u>
Total current assets		<u>279,054</u>

### NON-CURRENT ASSETS:

Capital assets		19,081
Less accumulated depreciation		<u>(9,966)</u>
Total non-current assets		<u>9,115</u>

Total assets		<u>288,169</u>
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### LIABILITIES:

Unearned revenue		36,562
Contracted service fee payable		<u>217,248</u>
Total liabilities		<u>253,810</u>

### NET POSITION:

Net investment in capital assets		9,115
Restricted - Food Service Fund		13,121
Unrestricted		<u>12,123</u>

TOTAL NET POSITION	\$	<u><u>34,359</u></u>
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See notes to financial statements.

## WINTERFIELD VENTURE ACADEMY

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2014

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OPERATING REVENUES:	
Foundation payments	\$ 3,627,168
Food services	6,600
Other revenues	<u>80,470</u>
Total operating revenues	<u>3,714,238</u>
OPERATING EXPENSES:	
Depreciation	2,747
Expenses of the Board of Directors	29,000
Contracted service fee	<u>5,218,889</u>
Total operating expenses	<u>5,250,636</u>
OPERATING LOSS	<u>(1,536,398)</u>
NONOPERATING REVENUES:	
Federal grants	854,397
State grants	7,187
Private sources — NHA	<u>691,189</u>
Total nonoperating revenue	<u>1,552,773</u>
CHANGE IN NET POSITION	16,375
NET POSITION — Beginning of year	<u>17,984</u>
NET POSITION — End of year	<u>\$ 34,359</u>

See notes to financial statements.

## WINTERFIELD VENTURE ACADEMY

### STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2014

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#### CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from State of Ohio	\$ 3,616,117
Cash received from food services	7,131
Cash received from other operating revenue	80,470
Cash paid on behalf of the Academy for goods and services	<u>(4,630,122)</u>

Net cash used in operating activities (926,404)

#### CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Federal grants received	925,218
State grants received	<u>7,187</u>

Net cash provided by noncapital financing activities 932,405

NET INCREASE IN CASH 6,001

CASH — Beginning of year 6,122

CASH — End of year \$ 12,123

#### RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:

Operating loss	\$ (1,536,398)
Support from private sources — NHA	691,189
Depreciation	2,747
Changes in assets and liabilities:	
Change in intergovernmental receivables affecting operating revenue	(11,051)
Change in unearned revenue	531
Change in contracted service fee payable	<u>(73,422)</u>

NET CASH USED FOR OPERATING ACTIVITIES \$ (926,404)

#### NON-CASH ACTIVITY:

Support from private sources — NHA	<u><u>\$ 691,189</u></u>
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See notes to financial statements.



# WINTERFIELD VENTURE ACADEMY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### 1. NATURE OF OPERATIONS

Winterfield Venture Academy (the “Academy”) is an Ohio Public School Academy, which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy operates an approved charter received from Educational Service Center of Lake Erie West (ESCLEW or the “Sponsor”), which is responsible for oversight of the Academy’s operations. The charter’s term expires on June 30, 2015 and is subject to renewal. The Academy provides education to students in kindergarten through the eighth grade, at no cost to the parent. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The Academy was established and is operated as a nonprofit corporation under Chapter 1702 of the Ohio Revised Code and believes itself to be exempt from taxation under Internal Revenue Code Section 115(1) because its income is derived from the exercise of an essential governmental function and accrues to the State of Ohio (the “State”). Donations to the Academy qualify as a charitable deduction under Internal Revenue Code Section 170(c)(1).

The Academy operates under the direction of a board of directors (the “Board”). The Board is responsible for carrying out the provisions of the contract with the Sponsor that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Board has entered into a services agreement (the “Agreement”) with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the Agreement, NHA also provides the facility in which the Academy operates. The Agreement will continue until the termination or expiration of the charter contract, up to a maximum of five years, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the Agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources. *Non-Operating Revenues — Private sources — NHA* represent a contribution granted by NHA for the excess of Academy expenditures over public revenues available.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (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.

The Academy's financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise's activities.

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.

Nonexchange 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 year when the resources are required to be used or the fiscal year when use is first permitted, matching 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.

*Estimates* — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash Deposits* — For cash management, all cash received by the Academy is pooled in a non-interest bearing central bank account. Total cash for the Academy is presented as "Cash" on the accompanying statement of net position. Cash as of June 30, 2014, represents bank deposits, which are covered by federal depository insurance.

*Capital Assets* — Capital assets, which include other equipment, are reported in the financial statements at historical cost. Capital assets are generally defined by the Academy as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

*Contracted Service Fee Payable* — Contracted service fee payable as of June 30, 2014, represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the agreement.

*Unavailable and Unearned Revenue* — Unavailable revenue is reported in connection with receivables for revenue that is not considered available and measurable to liquidate liabilities of the current period. Unearned revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. As of June 30, 2014, unearned revenue was recognized for \$35,135.

*Operating Revenues and Expenses* — The Academy currently participates in the State Foundation Program, the State Intervention Services Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as nonoperating revenue in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

*Net Position* — Net position represent the difference between assets and liabilities. Net position may be classified as restricted or unrestricted. The term restricted is used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of net position as legally segregated for a specific future use. The term unrestricted is used for amounts that have not been restricted or otherwise assigned for future uses. At June 30, 2014, the Academy had \$13,121 in restricted net position for food service and \$12,123 in unrestricted net position.

*Budgetary Process* — The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the Academy to prepare a five-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

### **3. DEPOSITS AND INVESTMENTS**

At fiscal year-end June 30, 2014, the Academy's bank balance was \$12,123. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of June 30, 2014, none of the bank balance was exposed to custodial risk as discussed below and all of the bank balance was covered by the Federal Depository Insurance Corporation.

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 Bank 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.

#### 4. RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables at June 30, 2014, is as follows:

	<b>Amounts</b>
Due from State	\$ 11,433
Title I	169,600
Title I School Improvement	11
Title IIA	5,329
Race to the Top ARRA	66,965
National School Lunch and Breakfast	<u>13,593</u>
Total intergovernmental receivables	<u><u>\$ 266,931</u></u>

## 5. CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities at June 30, 2014, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities — equipment	\$ 19,081	\$ -	\$ -	\$ 19,081
Total capital assets at historical cost	<u>19,081</u>	<u>-</u>	<u>-</u>	<u>19,081</u>
Less accumulated depreciation — equipment	<u>(7,219)</u>	<u>(2,747)</u>	<u>-</u>	<u>(9,966)</u>
Total accumulated depreciation	<u>(7,219)</u>	<u>(2,747)</u>	<u>-</u>	<u>(9,966)</u>
Total business-type activities capital assets — net	<u>\$ 11,862</u>	<u>\$(2,747)</u>	<u>\$ -</u>	<u>\$ 9,115</u>

## 6. PENSION PLANS

### ***School Employees Retirement System***

*Plan Description* — NHA and contractors of NHA, on behalf of certain employees at the Academy, contribute to the School Employees Retirement System (SERS or the "System"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on the SERS website at [www.ohsers.org](http://www.ohsers.org) under "Employers/Audit Resources."

*Funding Policy* — Plan members were required to contribute 10% of their annual covered salary and NHA was required to contribute at an actuarially determined rate. NHA's current rate is 14% of annual covered payroll. A portion of NHA contributions are used to fund pension obligations with the remainder being used to fund health care benefits. For the fiscal year ending June 30, 2014, 13.05% and 0.05% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 0.9% of the 14% employer contribution rate is allocated to the Health Care and Medicare B funds. The contribution requirements of plan members and employers are established and may be amended by the SERS retirement board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NHA's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$35,463, \$33,157, and \$50,514, respectively; and 100% was contributed for each fiscal year.

### ***State Teachers Retirement System***

*Plan Description* — NHA, on behalf of teachers at the Academy, participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on the Ohio STRS website at [www.strsoh.org](http://www.strsoh.org) under "Publications."

New members have a choice of three retirement plans, a defined benefit plan (the "DB Plan"), a defined contribution plan (the "DC plan") and a combined plan (the "Combined Plan"). The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account.

Investment decisions are made by the member. 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 DC Plan and the DB Plan. In the Combined Plan, member contributions are invested 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; the defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB Plan 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 these active members who die before retirement may qualify for survivor 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* — Plan members were required to contribute 11% of their annual covered salaries. NHA was required to contribute 14%; 13% was used to fund pension obligations and 1% was used for the health care stabilization fund. Contribution rates are established by the State Teachers Retirement Board (the "Retirement Board"), upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NHA's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$190,389, \$222,424, and \$217,265 respectively; 100% was contributed for each fiscal year.

## 7. POSTEMPLOYMENT BENEFITS

### ***School Employees Retirement System***

*Plan Description* — NHA and contractors of NHA, on behalf of certain employees at the Academy, participates in two cost-sharing, multiple employer postemployment benefit plans administered by SERS for noncertificated retirees and their beneficiaries, a health care plan (the “Health Care Plan”) and a Medicare Part B plan (the “Medicare Part B Plan”). The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including health maintenance organizations, preferred provider organizations, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. 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 2014 was \$104.90 for most participants and the SERS’ reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by 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 may be obtained on SERS’ website at [www.ohsers.org](http://www.ohsers.org) under “Employers/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% of covered payroll to a health care fund (the “Health Care Fund”). The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14% of covered payroll was allocated to health care. 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 2.0% of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,450.

Active members do not contribute to the postemployment benefit plans. The 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.

NHA’s contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012, were \$3,855, \$508, and \$5,263 respectively, 100% was contributed in each fiscal year.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B fund. For fiscal year 2014, the actuarially required allocation is 0.76% of covered payroll. NHA’s contributions to the

Medicare B fund for the fiscal years ended June 30, 2014, 2013, and 2012, were \$2,057, \$2,633, and \$5,364 respectively, 100% was contributed in each fiscal year.

### **State Teachers Retirement System**

*Plan Description* — NHA, on behalf of teachers at the Academy, contributes to the cost sharing, multiple-employer defined benefit health plan (the “Plan”) administered by STRS Ohio for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio, which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) under “Publications.”

*Funding Policy* — Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund.

NHA’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$14,645, \$17,110, and \$16,721, respectively; 100% was contributed for each fiscal year.

## **8. RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained through Citizens Insurance Company of America as follows:

Commercial General Liability     \$1,000,000 per occurrence  
   \$3,000,000 in the aggregate with no deductible

Commercial Liability Umbrella     \$3,000,000 per occurrence  
   \$3,000,000 in the aggregate with no deductible

There have been no significant reductions in insurance coverage during fiscal year 2014, and claims did not exceed coverage less retained risk deductible amounts during the past three fiscal years.

## **9. CONTINGENCIES**

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

*State Funding* — The Ohio Department of Education conducts reviews of enrollment data and full-time equivalent 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 this review could result in the State funding being adjusted. The Academy does not anticipate any material adjustments to State funding for fiscal year 2014, as a result of such a review.

**10. RELATED PARTY**

The Board Members for the Academy also serve as the Board members for Bennett Venture Academy; both academies are managed by NHA.

**11. CONTRACTED SERVICE FEE**

NHA incurred the following actual direct and indirect expenses on behalf of the Academy for the year ended June 30, 2014:

Contracted Service Fee:	
Salaries, wages and benefits	\$ 2,516,042
Professional and technical services	311,056
Contracted (trade) services	26,274
Property services	1,023,590
Books, periodicals, films	33,560
Supplies	163,791
Utilities	76,621
Food service	219,811
Travel and training	70,895
Purchases services	54,521
Equipment lease and purchases	122,143
Field trips and student activities	50,331
Insurance and property taxes	<u>17,851</u>
Total Direct Costs	4,686,486
Indirect Costs	532,403
Total	<u><u>\$ 5,218,889</u></u>

NHA charges expenses benefiting more than one school (i.e., indirect expenses) based on key cost drivers. These charges represent indirect cost of services provided in the operation of the Academy. Such services include, but are not limited to, facilities management, equipment, operational support services, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support, and marketing and communications.

**12. SPONSORSHIP AGREEMENT**

The Academy entered into a sponsorship agreement with the ESCLEW. The sponsorship agreement provides that ESCLEW receives 1.5% of State Foundation funds received by the Academy from the State. This amounted to \$54,521 for fiscal year 2014.

### **13. OPERATING LEASE**

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2013 through June 30, 2014. Annual rental payments required by the lease are \$836,640 payable in twelve monthly payments of \$69,720. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA.

The Academy subsequently amended and renewed the sublease with NHA for the period of July 1, 2014 through June 30, 2015, at the same rental rate.

**SUPPLEMENTAL SCHEDULE**

WINTERFIELD VENTURE ACADEMY

SUPPLEMENTAL SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
U.S. Department of Education—				
Passed through the Ohio Department of Education				
Title I Grants to Local Educational Agencies	2013	84.010	\$ 127,997	\$ 60,119
	2014		307,214	336,024
			<u>435,211</u>	<u>396,143</u>
Title I School Improvement	2013	84.010	1,529	69
			<u>1,529</u>	<u>69</u>
Total Title I cluster			436,740	396,212
Title IIA Improving Teacher Quality	2013	84.367	8,914	8,914
	2014		748	2,842
			<u>9,662</u>	<u>11,756</u>
Race to the Top	2013	84.395	31,791	17,589
Race to the Top	2014		34,846	45,226
Race to the Top - Ohio Resident Educator	2013		1,750	1,750
			<u>68,387</u>	<u>64,565</u>
Special Education Cluster—				
IDEA Part B	2013	84.027	43,996	21,064
	2014		119,914	119,914
			<u>163,910</u>	<u>140,978</u>
Total U.S. Department of Education			<u>678,699</u>	<u>613,511</u>
U.S. Department of Agriculture—				
Passed through the Ohio Department of Education				
Child Nutrition Cluster:				
Non-Cash Assistance:				
National School Lunch Program—				
Entitlement Commodities	2014	10.555	16,816	16,816
Total Non-Cash Assistance			16,816	16,816
Cash Assistance:				
National School Breakfast Program	2013	10.553	1,252	(63)
	2014		34,219	35,129
			<u>35,471</u>	<u>35,066</u>
National School Lunch Program	2013	10.555	4,958	173
	2014		164,875	168,840
			<u>169,833</u>	<u>169,013</u>
Total Cash Assistance			<u>205,304</u>	<u>204,079</u>
Total U.S. Department of Agriculture			<u>222,120</u>	<u>220,895</u>
TOTAL			<u>\$ 900,819</u>	<u>\$ 834,406</u>

See notes to supplemental schedule of receipts and expenditures of federal awards

## WINTERFIELD VENTURE ACADEMY

### NOTES TO SUPPLEMENTAL SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2014

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1. **Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the Academy's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. **Food Distribution**

Nonmonetary assistance is reported in the schedule at entitlement value of the commodities received and disbursed. Monies are comingled with State grants. It is assumed federal monies are expended first. At June 30, 2014, the Academy had food commodities in inventory.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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

Winterfield Venture Academy  
Lucas County  
305 Wenz Road  
Toledo, Ohio 43615

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 Winterfield Venture Academy, Lucas County, Ohio, (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated December 24, 2014.

**Internal Controls 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 opinions 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.

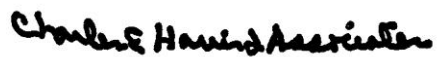
Winterfield Venture Academy  
Lucas County  
Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other  
Matters Required by *Government Auditing Standards*

### **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.



**Charles E. Harris & Associates, Inc.**  
December 24, 2014

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Winterfield Venture Academy  
Lucas County  
305 Wenz Road  
Toledo, Ohio 43615

To the Board of Directors:

**Report on Compliance for its Major Federal Program**

We have audited the Winterfield Venture Academy's (the Academy) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Winterfield Venture Academy's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal program.

**Management's Responsibility**

The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

**Auditor's Responsibility**

Our responsibility is to opine on the Academy's compliance for the Academy's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Academy's major program. However, our audit does not provide a legal determination of the Academy's compliance.



Winterfield Venture Academy  
Lucas County  
Independent Auditors' Report on Compliance With  
Requirements Applicable to its Major Federal  
Program and Internal Control Over Compliance in  
Accordance With OMB Circular A-133

### **Opinion on Each Major Federal Program**

In our opinion, the Winterfield Venture Academy complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

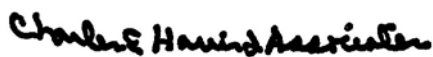
### **Report on Internal Control Over Compliance**

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Academy's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Charles E. Harris and Associates, Inc.**  
December 24, 2014

# WINTERFIELD VENTURE ACADEMY

## SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2014

### 1. SUMMARY OF AUDITOR'S RESULTS

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

# WINTERFIELD VENTURE ACADEMY

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2014

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

None

## 3. FINDINGS FOR FEDERAL AWARDS

None

## **WINTERFIELD VENTURE ACADEMY**

### **SCHEDULE OF PRIOR YEAR FINDINGS YEAR ENDED JUNE 30, 2014**

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The prior audit report, for the year ending June 30, 2013 included no material citations or recommendations.



# Dave Yost • Auditor of State

**WINTERFIELD VENTURE ACADEMY**

**LUCAS 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  
MARCH 26, 2015**