

**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**(AUDITED)**

**BASIC FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2014*

**TODD TAYLOR, TREASURER**





# Dave Yost • Auditor of State

Board of Directors  
Northland Preparatory and Fitness Academy  
1875 Morse Road  
Columbus, OH 43229

We have reviewed the *Independent Auditor's Report* of the Northland Preparatory and Fitness Academy, Franklin County, prepared by Julian & Grube, 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 Northland Preparatory and Fitness 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 12, 2015

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**NORTHLAND PREPARATORY AND FITNESS ACADEMY  
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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# Julian & Grube, Inc.

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

## Independent Auditor's Report

Northland Preparatory and Fitness Academy  
Franklin County  
1875 Morse Road  
Columbus, OH 43229

To the Board of Directors:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Northland Preparatory and Fitness Academy, Franklin County, Ohio as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Northland Preparatory and Fitness 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 Northland Preparatory and Fitness 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 Northland Preparatory and Fitness 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.

Independent Auditor's Report  
Page Two

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northland Preparatory and Fitness Academy, Franklin County, Ohio as of June 30, 2014, and the changes in its financial position and its cash flows for the fiscal 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 contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2014, on our consideration of the Northland Preparatory and Fitness 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 Northland Preparatory and Fitness Academy's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 26, 2014

# **NORTHLAND PREPARATORY AND FITNESS ACADEMY**

Montgomery County

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2014

Unaudited

The discussion and analysis of the Northland Preparatory and Fitness Academy's (The Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2014. 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.

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

## **Financial Highlights**

- In total, net position remained at \$100.
- Total assets increased \$5,067.
- Liabilities increased \$5,067.

## Using this Financial Report

This report consists of three parts, the Management Discussion and Analysis, 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 answers the question, "How did we do financially during 2014?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

**NORTHLAND PREPARATORY AND FITNESS ACADEMY**  
 Montgomery County  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2014  
 Unaudited  
 (Continued)

Table 1 provides a summary of the Academy's net position for fiscal year 2014.  
 (Table 1) Net Position

	<u>Assets</u>	<u>FY 2014</u>	<u>FY 2013</u>
Current Assets:		\$21,368	\$16,301
Total Assets		\$21,368	\$16,301
 <b>Liabilities</b>			
Current Liabilities:		\$21,268	\$16,201
Total Liabilities		\$21,268	\$16,201
 <b>Net Position</b>			
Unrestricted		\$100	\$100
Total Net Position		\$100	\$100

Total assets increased \$5,067.

Table 2 shows the changes in net position for fiscal year 2014, as well as a listing of revenues and expenses.

(Table 2) Change in Net Position

Operating Revenues	2014	2013
Unrestricted State Payments	\$ 2,077,760	\$ 1,707,115
Sales	\$ 10,100	\$ 10,753
Non-Operating Revenues		
Federal Grants	\$ 418,776	\$ 403,662
State Grants	\$ 20,986	\$ 11,709
Total Revenues	\$ 2,527,622	\$ 2,133,239
 Operating Expenses		
Purchased Services - Management Fees	\$ 2,392,474	\$ 2,004,491
Other Operating Expenses	\$ 135,148	\$ 131,155
Total Expenses	\$ 2,527,622	\$ 2,135,646
 Increase (Decrease) in Net Position	\$ -	\$ (2,407)
Beginning Net Position	\$ 100	\$ 2,507
Ending Net Position	\$ 100	\$ 100

**NORTHLAND PREPARATORY AND FITNESS ACADEMY**  
Montgomery County  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2014  
Unaudited  
(Continued)

Net position remained consistent. There was a increase in revenues of \$394,383, and a increase in expenses of \$391,976. The increase in revenues was primarily due to the increase in Unrestricted State Payments of \$370,645. Community Schools receive no support from tax revenues.

The increase in management fees of \$387,983 was due to the increase in revenues and the nature of the full performance contract. These additional funds were used to offset expenses related to the increase in enrollment.

**Capital Assets**

The Northland Preparatory and Fitness Academy has no capital assets due to the nature of the full performance contract with Performance Academies.

**Current Financial Issues**

The Northland Preparatory and Fitness Academy was formed in 2005 through a charter with the Ohio Department of Education. During the 2005-2006 school year there were approximately 28 students enrolled. In FY07 there were approximately 110 students enrolled which increased to 157 in FY08. In FY09 this increased to 265 and decreased to 215 in FY10. It increased to 247 in FY11 and to 254 in FY12. Enrollment dropped slightly to 242 in FY13 but increased to 274 in FY14. The Academy receives its finances mostly from state aid. Per pupil base aid for fiscal year 2014 was \$5,745.

**Contacting the School'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 any questions about this report or need additional information contact Todd Taylor, Treasurer at Eastland Performance Academy, 2 Easton Oval Suite 525 Columbus OH 43219 or email [Ttaylor@performanceacademies.com](mailto:Ttaylor@performanceacademies.com).

Northland Preparatory and Fitness Academy

Statement of Net Position

June 30, 2014

Assets

Current Assets:

Equity in Cash and Cash Equivalents	\$ 100
Accounts Receivable	<u>21,268</u>
Total Current Assets	<u>\$ 21,368</u>

Liabilities

Accounts Payable	<u>\$ 21,268</u>
Total Current Liabilities	<u>\$ 21,268</u>

Net Position

Unrestricted	<u>\$ 100</u>
Total Net Position	<u>\$ 100</u>

Northland Preparatory and Fitness Academy  
 Statement of Revenues, Expenses, and  
 Changes in Net Position  
 For the Fiscal Year ended June 30, 2014

**Operating Revenues**

Unrestricted State Payments	\$ 2,077,760
Sales	<u>10,100</u>
<b>Total Operating Revenues</b>	<b><u>2,087,860</u></b>

**Operating Expenses**

Purchased Services - Management Fees	2,392,474
Other Operating Expenses	<u>135,148</u>
<b>Total Operating Expenses</b>	<b><u>2,527,622</u></b>

Operating Gain (Loss) (439,762)

**Non-Operating Revenues**

Federal Grants	418,776
State Grants	<u>20,986</u>
<b>Total Non-Operating Revenues</b>	<b><u>\$ 439,762</u></b>

Change in Net Position \$ -

Net Position at Beginning of Year \$ 100

Net Position at End of Year \$ 100

Northland Preparatory and Fitness Academy

Statement of Cash Flows

For the Fiscal Year Ended Ended June 30, 2014

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities

Cash Received from Sales	\$ 10,100
Cash Received from State of Ohio	2,077,674
Cash Payments to Suppliers for	
Goods and Services	<u>(2,522,555)</u>
Net Cash Used for Operating Activities	<u>(434,781)</u>

Cash Flows From Non-Capital Financing Activities

Cash Received from Federal Grants	413,795
Cash Received from State Grants	<u>20,986</u>
Net Cash Provided by Non-Capital Financing Activities	<u>434,781</u>

Net Increase/(Decrease) in Cash

Cash at Beginning of Year	<u>100</u>
Cash at End of Year	<u>\$ 100</u>

Reconciliation of Operating Loss to

Net Cash used for Operating Activities:

Operating Loss	\$ (439,762)
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Changes in Assets and Liabilities:

(Increase) in Accounts Receivable	(86)
Increase in Accounts Payable	<u>5,067</u>

Net Cash Used for Operating Activities	<u>\$ (434,781)</u>
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Northland Preparatory and Fitness Academy  
Franklin County  
Notes to the Basic Financial Statements  
June 30, 2014

## 1. DESCRIPTION OF THE ENTITY

The Northland Preparatory and Fitness Academy (the Academy) has been approved as a tax exempt status nonprofit corporation under Section 501c(3) of the Internal Revenue Code. It was established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in kindergarten through grade eight. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admissions 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 contracts with Performance Academies Inc. for most of its functions. See Note 4.

The Academy was approved for operation under a contract with the Ohio Department of Education (the Sponsor) for a period of five years commencing in July 2005. 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. Effective July 1, 2010 the Academy is under contract with the Ohio Council of Community Schools for a period of 10 years.

The Academy operates under the direction of a five-member Board of Directors (The 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, admissions standards, and qualifications of teachers. The Board of Directors leases the Academy's one instructional/support facility from Performance Academies as noted in the management agreement. The facility is staffed with teaching personnel employed by Performance Academies. The Regional Board also operates the following schools:

Columbus Performance Academy	Columbus, Ohio
Columbus Preparatory and Fitness Academy	Columbus, Ohio
Whitehall Preparatory and Fitness Academy	Columbus, Ohio
Performance Academy Eastland	Columbus, Ohio

Also the Academy is associated with the Metropolitan Dayton Education Computer Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources.

Northland Preparatory and Fitness Academy  
Franklin County  
Notes to the Basic Financial Statements  
June 30, 2014

## 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.

### A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Enterprise fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows.

### B. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The Statement of Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The Statement of Cash Flows provides information about how the Academy finances and meets cash flow needs of its enterprise activities.

### C. 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.

Northland Preparatory and Fitness Academy  
Franklin County  
Notes to the Basic Financial Statements  
June 30, 2014

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

Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its sponsor.

The contract between the Academy and its sponsor requires that monthly budget reports be prepared comparing actual for the month to budgeted amount for the month. It also requires that a variance report accompany the monthly reports identifying areas that may need to be adjusted to maintain a balanced budget. Monthly reports and timely presentations are to be furnished to the Board by the treasurer with recommendations for Board action to adjust the spending plan as appropriate action is warranted.

**E. Cash Deposits**

All cash received by the Academy is maintained in a demand deposit account.

**F. Net Position**

Net position represents the difference between the assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available.

Northland Preparatory and Fitness Academy  
Franklin County  
Notes to the Basic Financial Statements  
June 30, 2014

**G. Concentration of Business and Current Risk**

As of June 30, 2014, funds received from the federal and state of Ohio governments represented 99.6% of the revenues and accounts receivable reported by the Academy. Accordingly, the risk exists that the ability to receive funds from these governments could affect the financial status of the Academy.

**H. Deposits**

The Academy maintains its cash balance in a demand deposit account in two financial institutions located in Columbus, Ohio. The balance is insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At June 30, 2014 the Academy's cash balance was \$100, so 100 percent was covered by FDIC. The Academy had no investments at June 30, 2014, or during the fiscal year.

**I. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**J. 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 from the state and sales for food services and school fees. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

**3. RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets' errors and omissions; and natural disasters. As part of its management agreement with Performance Academies, Performance Academies has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement. There was no significant reduction in insurance coverage from the prior year and claims have not exceeded insurance coverage over the past three years.

Northland Preparatory and Fitness Academy  
Franklin County  
Notes to the Basic Financial Statements  
June 30, 2014

**4. AGREEMENT WITH PERFORMANCE ACADEMIES, INC.**

On July 1, 2013, the Academy contracted with Performance Academies, Inc., to provide educational programs that offer educational excellence and innovation based upon the Academy's unique school design, comprehensive educational program, and sound school and business principles and management methodologies. This contract remains in effect as long as the Academy continues to renew the contract and has entered into or is continuing to operate under any chartering school contract. Under the contract Performance Academies is responsible for providing educational and management services and products, human resources administration, including school personnel and business management, curricula, programs, contract administration and technology. Significant provisions of the contract are as follows:

**A. Financial Provisions**

**1. Management Consulting and Operation Fee**

The Academy pays Performance Academies all state and federal per pupil allocations, transportation, technology or other operational funds, including private donations, endowments, or grants applied for on behalf of the Academy, except for two percent of the base state per pupil allocation. This two percent is to be retained by the Academy as a Board Reserve to be used by June 30 of each year for the Academy's benefit. The amount paid to Performance Academies by the Academy is reflected in the Statement of Revenues, Expenses, and Changes in Net Position as Purchased Services – Management Fees operating expense.

**2. The Academy's Financial Responsibility**

The Academy uses the Board Reserve to pay Board members' compensation; expenses for fund raising and grant writing accomplished by the Academy; and other expenses for the benefit of the Academy at the Board's discretion. The actual transactions related to these expenditures are performed by Performance Academies under the Academy's direction.

**3. Performance Academies Financial Responsibilities**

Performance Academies is responsible for the payment of all wages, compensation and expenses of Performance Academies or the Academy including the Superintendent, Treasurer, assistants, administrators, clerical staff, and teachers. Performance Academies is also responsible for and janitorial services; worker's compensation; other insurance; necessary comprehensive or premises liability insurance; and attorney fees. Performance Academies pays their own office expenses and supplies; leases for equipment and the Academy offices or facilities; and travel, lodging and other expenses incurred pursuant to services rendered by Performance Academies.

Northland Preparatory and Fitness Academy  
Franklin County  
Notes to the Basic Financial Statements  
June 30, 2014

4. Financial Reporting by Performance Academies  
Performance Academies shall provide the Academy's Board with a proposed and projected annual budget prior to opening each fiscal year; statements of all revenues received with respect to the Academy, and statements of all direct expenditures for services rendered to or on behalf of the Academy. Performance Academies also provides consultation on annual audits in compliance with state law and regulations showing the manner in which funds are spent for the Academy. Performance Academies reports on Academy operations and finances on a quarterly basis and other information on a reasonably requested basis to enable the Board to monitor the performance of the Academy; and a reasonable opportunity to inspect, examine, audit and otherwise review the books, records, accounts, ledgers and other financial documents of Performance Academies to the extent that they relate to or otherwise pertain to activities of the Academy.

5. Financial Reporting by the Academy  
The Academy shall provide Performance Academies with statements of all funds received by the Academy from grants applied for by the Academy, donations or endowments and statements of all expenditures and investments made with such funds, as well as with the Board Reserve funds.

B. Personnel

Performance Academies selects and hires all teaching staff, administrative or other staff. They also evaluate, assign, discipline and transfer personnel. Performance Academies also selects the Academy's Superintendent and establishes employment terms. The Superintendent shall be a representative of Performance Academies. Performance Academies determines the number of teachers needed for the operation of the Academy and selects and hires all teachers. The personnel who perform services at the Academy are employees or subcontractors or service providers of Performance Academies and are paid by Performance Academies.

Northland Preparatory and Fitness Academy  
Franklin County  
Notes to the Basic Financial Statements  
June 30, 2014

**C. Agreement Termination**

**1. Termination by the Academy**

The Academy may terminate the Contract after prior written notice to Performance Academies if the Academy ceases to be approved by the Ohio Department of Education as an Ohio Community School and the Academy or Performance Academies cannot secure another sponsor; upon sixty days prior written notice in the event that Performance Academies be guilty of a felony or fraud, gross negligence, or other act of willful or gross misconduct in the rendering of services under the Agreement, or in the event that Performance Academies fails to remedy a material breach of its duties or obligation within six months after written notice of the breach is provided to Performance Academies by the Academy, if Performance Academies has failed to cure such breach during the first three months of the notice period.

**2. Termination by Performance Academies**

Performance Academies may terminate the Contract in the event the Academy materially breaches the Agreement and the Academy fails to remedy such a breach within ninety days of its receipt of written notice of such breach from Performance Academies.

**5. DEFINED BENEFIT PENSION PLANS**

The Academy has contracted with Performance Academies to provide employee services and to pay those employees. However, these contract services do not relieve the Academy of the obligation for remitting pension contributions. The State retirement systems consider the Academy as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the State systems noted below.

**School Employees Retirement System**

- A. Performance Academies, on behalf of the Academy, contributes to the School Employees Retirement System of Ohio(SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Northland Preparatory and Fitness Academy  
Franklin County  
Notes to the Basic Financial Statements  
June 30, 2014

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 three funds (pension Trust Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, 13.05% and .05% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$11,476, \$10,937, and \$10,091 respectively; which were equal to the required contributions for each year and are paid and reported by the Management Co. (See Note 4 and Note 10).

State Teachers Retirement System

- B. Performance Academies, on behalf of the Academy contributes to 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 issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determines annuity factor. The DC Plan allows members to place all their membership 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 DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC 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.

Northland Preparatory and Fitness Academy  
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Notes to the Basic Financial Statements  
June 30, 2014

A DB or combined Plan member with five or more years credited service that 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Benefits are established by Chapter 3307 of the Ohio Revised Code. For the fiscal year ending June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$114,107, \$110,933, and \$102,927 respectively; which were equal to the required contributions for each year and are paid and reported by the Management Co. (See Note 4 and Note 10).

Northland Preparatory and Fitness Academy  
Franklin County  
Notes to the Basic Financial Statements  
June 30, 2014

**6. POST EMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - Performance Academies, Inc., on behalf of the Academy, participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income 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 is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [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 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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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.

The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$123, \$134 and \$437, respectively; which were equal to the required contributions for each year and are paid and reported by the Management Co. (See Note 4 and Note 10).

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$666, \$618 and \$596, respectively; which were equal to the required contributions for each year and are paid and reported by the Management Co. (See Note 4 and Note 10).

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$8,776, \$8,533 and \$7,917, respectively; which were equal to the required contributions for each year and are paid and reported by the Management Co. (See Note 4 and Note 10).

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**7. PURCHASED SERVICES**

For the period ended June 30, 2014, purchased service expenses represent payments for management services rendered by Performance Academies (See Note 4 and Note 10) and STRS and SERS payments made by the Academy on behalf of Performance Academies.

Purchased Services Agreement	\$ 2,392,474
SERS and STRS Payments	<u>\$ 135,148</u>
Total Purchased Services	<u>\$ 2,527,622</u>

**8. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, 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, 2014.

**B. State Foundation Funding**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the Academy. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the fiscal year 2014 reviews, the Academy owes \$86 to ODE. This amount has been reported as an accounts payable on the statement of net position.

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**9. METROPOLITAN DAYTON EDUCATIONAL COOPERATIVE ASSOCIATION**

The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundary of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. Performance Academies paid MDECA for services provided during the fiscal year for the Academy. Financial information can be obtained from Dean Reineke, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

**10. MANAGEMENT COMPANY EXPENSES**

As per the agreement with Performance Academies (See Note 4), 98% of the school's revenue is paid to Performance Academies as a management fee. The related 'purchased services' expense totaled \$2,527,622 for the fiscal year ended June 30, 2014 including STRS and SERS payments made by the Academy on behalf of Performance Academies.

Performance Academies incurred the following expenses on behalf of the Academy:

<b>Direct Expenses:</b>		
Salaries & Wages	\$	993,921
Employees' Benefits		247,584
Professional and Technical Svcs		178,532
Property Services		413,399
Sponsorship Fees		41,169
Travel		54,850
Communications		103,417
Other Purchased Services		209,153
Books, Periodicals and Films		116,093
Other Supplies		48,005
Other Expenses		45,869
<b>Indirect Expenses:</b>		
Overhead		<u>49,361</u>
Total Expenses	\$	<u>2,501,353</u>

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Performance Academies charges expenses benefiting more than one school based on the percentage of FTE students per school in relation to all the schools that Performance Academies manages.



# Julian & Grube, Inc.

*Serving Ohio Local Governments*

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## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Northland Preparatory and Fitness Academy  
Franklin County  
1875 Morse Road  
Columbus, OH 43229

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 Northland Preparatory and Fitness Academy, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Northland Preparatory and Fitness Academy's basic financial statements and have issued our report thereon dated December 26, 2014.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Northland Preparatory and Fitness 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 Northland Preparatory and Fitness 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 Northland Preparatory and Fitness 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.

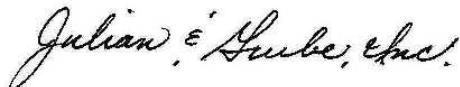
Board of Directors  
Northland Preparatory and Fitness Academy

***Compliance and Other Matters***

As part of reasonably assuring whether the Northland Preparatory and Fitness 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 Northland Preparatory and Fitness Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Northland Preparatory and Fitness Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
December 26, 2014

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# Dave Yost • Auditor of State

NORTHLAND PREPARATORY AND FITNESS ACADEMY

FRANKLIN COUNTY

#### CLERK'S CERTIFICATION

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

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED  
MARCH 24, 2015