

***WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO***

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2014





Dave Yost • Auditor of State

Board of Directors
Westside Academy
4330 Clime Road North
Columbus, Ohio 43228

We have reviewed the *Independent Auditor's Report* of the Westside Academy, Franklin 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 Westside 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

April 30, 2015

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**WESTSIDE ACADEMY
FRANKLIN COUNTY
AUDIT REPORT
For the Year Ending June 30, 2014**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Statement of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Basic Financial Statements	11-20
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	21-22
Schedule of Audit Findings	23
Schedule of Prior Audit Findings	24

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INDEPENDENT AUDITOR'S REPORT

Westside Academy
Franklin County
4330 Clime Road North
Columbus, Ohio 43228

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Westside Academy, Franklin 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 Westside Academy, Franklin 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.

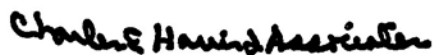
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* 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 February 27, 2015 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.
February 27, 2015

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The discussion and analysis of the Westside Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities for the 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 notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2014 are as follows:

- In total, net position was \$143,037 at June 30, 2014.
- The Academy had operating revenues of \$1,224,978, operating expenses of \$1,586,289 and non-operating revenues of \$418,352 for fiscal year 2014.

Using these Basic Financial Statements

This annual report consists of the management's discussion and analysis, a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of net position and statement of revenues, expenses and changes in net positions provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

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

These documents look at all financial transactions and ask the question, "How did we do financially during 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 8 and 9 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 10 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11-20 of this report.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

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

The table below provides a summary of the Academy's assets, liabilities and net position for fiscal years 2014 and 2013.

Assets, Liabilities and Net Position

	<u>2014</u>	<u>2013</u>
<u>Assets</u>		
Current assets	\$ 204,215	\$ 183,917
Non-current assets, net	<u>82,609</u>	<u>23,593</u>
Total assets	<u>286,824</u>	<u>207,510</u>
<u>Liabilities</u>		
Current liabilities	<u>143,787</u>	<u>121,514</u>
Total liabilities	<u>143,787</u>	<u>121,514</u>
<u>Net Position</u>		
Investment in capital assets	82,609	23,593
Restricted	46,252	20,876
Unrestricted (deficit)	<u>14,176</u>	<u>41,527</u>
Total net position	<u>\$ 143,037</u>	<u>\$ 85,996</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the Academy's net position was \$143,037.

At June 30, 2014, capital assets represented 28.80% of total assets. Capital assets consisted of leasehold improvements, modular buildings and furniture and equipment. Capital assets are used to provide services to the students and are not available for future spending.

A portion of the Academy's net position, \$46,252, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$14,176 may be used to meet the Academy's ongoing operations.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

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

The table below shows the changes in net positions for fiscal years 2014 and 2013.

Change in Net Position

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues:</u>		
State foundation	\$ 1,217,656	\$ 1,030,104
Other	<u>7,322</u>	<u>11,683</u>
Total operating revenue	<u>1,224,978</u>	<u>1,041,787</u>
<u>Operating Expenses:</u>		
Salaries and wages	620,143	618,214
Fringe benefits	171,752	180,346
Purchased services	660,385	468,038
Materials and supplies	99,951	93,815
Depreciation	21,625	26,235
Other	<u>12,433</u>	<u>8,320</u>
Total operating expenses	<u>1,586,289</u>	<u>1,394,968</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	418,351	312,635
Interest income	<u>1</u>	<u>1</u>
Total non-operating revenues	<u>418,352</u>	<u>312,636</u>
Change in net position	57,041	(40,545)
Net position at beginning of year	<u>85,996</u>	<u>126,541</u>
Net position at end of year	<u>\$ 143,037</u>	<u>\$ 85,996</u>

Operating revenues increased \$1,224,978, or 17.58%, primarily due to an increase in State foundation revenue. The increase in foundation funding occurred due to the Academy increasing enrollment in fiscal year 2014 versus fiscal year 2013. This increase in operating revenue was accompanied by an increase in federal and State grant funding of \$105,716, or 33.81%. The District received more funding from these sources in fiscal year 2014 due mainly to increases in the amount awarded for the 3rd Grade Reading Guarantee State Grant and IDEA-Part B, Title III, Title I and Improving Teacher Quality Federal Grants. The Academy will look for additional funding in the future.

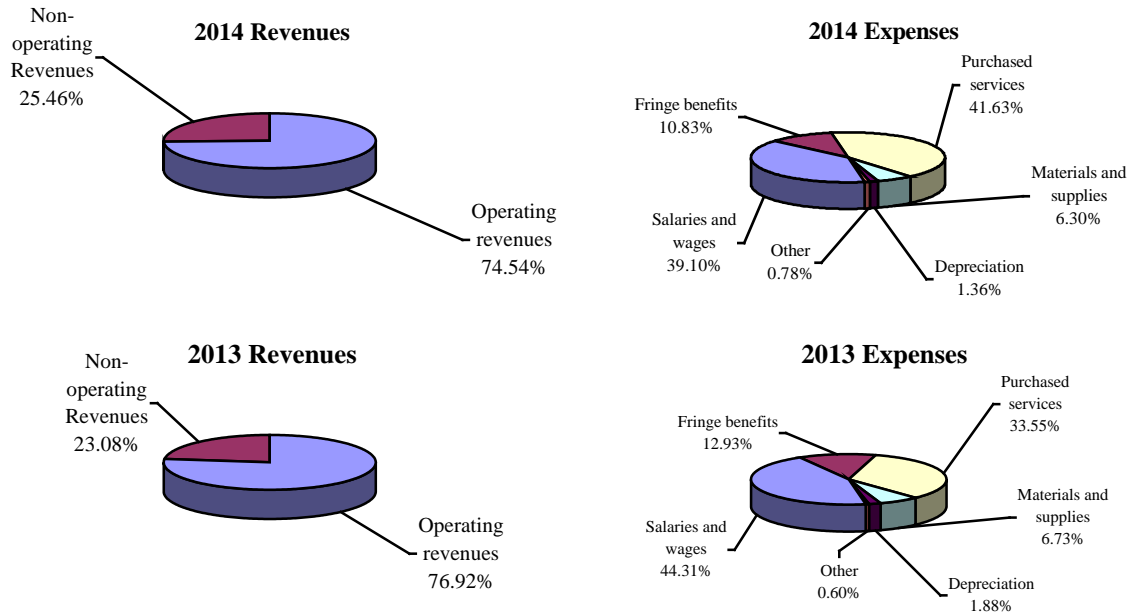
Operating expenses increased \$191,321, or 13.72%, in fiscal year 2014 versus 2013. The primary increase was in the area of purchased services which increased \$192,347.

Under purchased services, the primary area of increase from fiscal year 2014 to 2013 was in the area of professional and technical services. These services increased \$176,468, or 300.14%. This is due mainly to increased building repair expenditures.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

The charts below illustrate the revenues and expenses for the Academy during fiscal years 2014 and 2013.



Capital Assets

At the end of fiscal year 2014, the Academy had \$82,609 in capital assets, net of depreciation, consisting of leasehold improvements and furniture and equipment. The following table shows fiscal year 2014 balances compared to fiscal year 2013:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 163,815	\$ 163,815
Leasehold improvements	100,000	100,000
Modular buildings	80,641	
Less: accumulated depreciation	<u>(261,847)</u>	<u>(240,222)</u>
Total	<u>\$ 82,609</u>	<u>\$ 23,593</u>

The overall increase in capital assets of \$59,016 is due to capital asset additions of \$80,641 exceeding depreciation expense of \$21,625.

See Note 5 to the basic financial statements for more detail on capital assets.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014**

Debt Administration

The Academy had no debt obligations outstanding at June 30, 2014 or June 30, 2013.

Current Financial Related Activities

The Academy is sponsored by the Buckeye Hope Community Foundation. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources and to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Barbara Henry, Treasurer, Westside Academy, 4330 Clime Road North, Columbus, Ohio 43228.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets:	
Current assets:	
Cash	\$ 151,438
Receivables:	
Intergovernmental	23,720
Prepayments	<u>29,057</u>
Total current assets	<u>204,215</u>
Non-current assets:	
Capital assets, net	<u>82,609</u>
Total assets.	<u>286,824</u>
Liabilities:	
Accounts payable.	17,031
Accrued wages and benefits	83,877
Pension obligation payable.	26,127
Intergovernmental payable	<u>16,752</u>
Total liabilities	<u>143,787</u>
Net position:	
Investment in capital assets.	82,609
Restricted for:	
Locally funded programs	1,338
Restricted for state programs.	5,910
Federal programs	1,329
Other purposes	37,675
Unrestricted (deficit)	<u>14,176</u>
Total net position.	<u>\$ 143,037</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating revenues:	
State Foundation	\$ 1,217,656
Other	7,322
Total operating revenues	<u>1,224,978</u>
 Operating expenses:	
Salaries and wages.	620,143
Fringe benefits.	171,752
Purchased services.	660,385
Materials and supplies	99,951
Depreciation	21,625
Other.	12,433
Total operating expenses.	<u>1,586,289</u>
Operating loss	<u>(361,311)</u>
 Non-operating revenues:	
Federal and State grants	418,351
Interest revenue	1
Total non-operating revenues.	<u>418,352</u>
Change in net position	57,041
Net position at beginning of year.	<u>85,996</u>
Net position at end of year	<u>\$ 143,037</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash flows from operating activities:	
Cash received from State foundation	\$ 1,217,643
Cash received from other operations	7,322
Cash payments for personal services	(781,776)
Cash payments for contractual services	(667,793)
Cash payments for materials and supplies	(101,147)
Cash payments for other expenses	(12,377)
	<u>(338,128)</u>
Net cash used for operating activities.	
Cash flows from noncapital financing activities:	
Federal and State grants	419,473
	<u>419,473</u>
Net cash provided by noncapital financing activities.	
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(80,641)
	<u>(80,641)</u>
Net cash used in capital and related financing activities.	
Cash flows from investing activities:	
Interest received	1
	<u>1</u>
Net cash provided by investing activities.	
Net increase in cash and cash equivalents.	705
Cash at beginning of year	<u>150,733</u>
Cash at end of year	<u><u>\$ 151,438</u></u>
 Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (361,311)
Adjustments:	
Depreciation	21,625
Changes in assets and liabilities:	
(Increase) in intergovernmental receivable	(13)
(Increase) in prepayments	(20,702)
Increase in accounts payable	356
Increase in accrued wages and benefits.	1,219
Increase in intergovernmental payable	13,647
Increase in pension obligation payable.	7,051
	<u>7,051</u>
Net cash used for operating activities	<u><u>\$ (338,128)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Westside Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status. The mission of the Academy is to provide a high quality education, global consciousness and a competency-based education program from kindergarten to fourth grade. The Academy strives to meet the needs of a growing diverse population in Central Ohio, including the population that is considered Limited English Proficiency (LEP) and may come with an interrupted educational background. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved under contract with the Buckeye Community Hope Foundation (the "Sponsor") for a period of three years commencing December 20, 2005. This contract has been extended through June 30, 2019 (see Note 13). The Academy began operations on September 30, 2006. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy is located in Columbus, Ohio, Franklin County. The Academy operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers. The Academy is staffed by 5 full time non-certified staff members, 15 certified full time teaching personnel and 1 administrator who provide services to 161 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Measurement Focus

Enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the Academy are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position. The statement of cash flows reflects how the Academy finances its cash flow needs.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

D. Budgetary Process

Unlike other public schools located in the State of Ohio, the Academy is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the Academy and its sponsor. However, pursuant to the sponsorship agreement, on or before June 30 each year, a revised school budget shall be submitted to the Sponsor. The budget must detail estimated revenues and expenses. Revenues include the base formula amount that will be used for the purposes of funding calculations under section 3314.08 of the ORC. All projected and actual revenue sources must be included in the budget and projected expenses must include the total estimated per pupil expenditure amount for each year.

E. Cash

Cash received by the Academy is reflected as "Cash" on the statement of net position. The Academy did not have any investments during 2014.

F. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. Leasehold improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The Academy does not capitalize interest.

All capital assets are depreciated. Leasehold improvements are depreciated over the remaining useful lives of the related capital assets, currently five years. Land improvements are depreciated over ten years. Furniture and equipment is depreciated over five years. Modular classroom buildings are depreciated over ten years. Depreciation is computed using the straight-line method.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Prepaid Items

A prepaid item is an asset that occurs when a vendor is paid for services that will benefit a future accounting period. When items meet these criteria, they are reported as assets on the statement of net position using the consumption method. Under the consumption method, a current asset for the prepaid amount is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had \$29,057 in prepaid assets as of June 30, 2014.

H. Intergovernmental Revenue

The Academy participated in the State Foundation Program through the Ohio Department of Education. Revenue from this program was recognized as operating revenue in the accounting period in which all eligibility requirements had been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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.

I. Net Position

Net position represents the difference between assets and liabilities. The net position component "investment in capital assets," consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

J. Operating Revenues and Expenses

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

K. Estimates

The preparation of financial statements in conformity with GAAP 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.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES

Change in Accounting Principles

For fiscal year 2014, the Academy has implemented GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees".

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2014, the carrying amount of the Academy's deposits was \$151,438 and the bank balance was \$221,989. The entire bank balance was covered by the Federal Deposit Insurance Corporation (FDIC). There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Furniture and equipment	\$ 163,815	\$ -	\$ -	\$ 163,815
Modular classroom buildings	-	80,641	-	80,641
Leasehold improvements	100,000	-	-	100,000
Less: accumulated depreciation	<u>(240,222)</u>	<u>(21,625)</u>	<u>-</u>	<u>(261,847)</u>
Capital assets, net	<u>\$ 23,593</u>	<u>\$ 59,016</u>	<u>\$ -</u>	<u>\$ 82,609</u>

NOTE 6 - BUILDING LEASE

The Academy operations are located in space leased from the Unified Investment Corporation through 2020. Lease payments for fiscal year 2014 were \$223,220. See Note 15 for the related party transaction.

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$233,376
2016	245,520
2017	257,304
2018	270,168
2019	283,668
2020	<u>297,852</u>
Total Minimum Payments	<u>\$1,587,888</u>

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014 consisted of intergovernmental (e.g. State and federal grants) receivables. All intergovernmental receivables are considered collectible in full. Below is a summary of receivables due to the Academy:

Early literacy reading readiness	\$ 8,410
State funding - food service	1,024
Federal funding - food service	14,273
State foundation	<u>13</u>
Total	<u>\$ 23,720</u>

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), 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 by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$22,543, \$23,621 and \$20,763, respectively; 68.84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

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

NOTE 8 - PENSION PLANS - (Continued)

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 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 percent 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.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of 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 - For fiscal year 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 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$57,061, \$55,874 and \$59,540, respectively; 93.97 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$4,769 made by the Academy and \$3,747 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Board of Education have elected Social Security. The Academy's liability is 6.2 percent of wages paid.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - 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, 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.

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 (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$3,677, \$2,975 and \$3,416, respectively; 68.84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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 \$1,308, \$1,334 and \$1,226, respectively; 68.84 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - 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, 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 \$4,389, \$4,298 and \$4,580, respectively; 93.97 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

NOTE 10 - RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the Academy contracted with Wells Fargo Insurances Services for property and general liability insurance with a \$1,000,000 single occurrence limit and \$2,000,000 annual aggregate. Settled claims have not exceeded commercial coverage in the past three years. There was no significant reduction in coverage from the prior fiscal year.

B. Workers' Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor determined by the State. The Academy owed \$4,231 for this premium on January through June 2014 wages and accrued wages. The liability is reflected in the financial statements at June 30, 2014.

NOTE 11 - EMPLOYEE BENEFITS

The Academy provides health, drug, and dental insurance for all eligible employees through Anthem Blue Cross Blue Shield. The risk of loss to the Academy transfers to the insurance carrier upon payment of the premiums. The Academy pays a portion of the monthly premium based on the coverage chosen. An employee who works a minimum of 30 hours per week will receive 85%-80%-75%, for coverage of employee-only, employee-spouse/children or family coverage, respectively. An employee who works between 20 to 29 hours per week will be offered 75% prorated benefits. The Academy provides life insurance and accidental death and dismemberment insurance to employees through Anthem Blue Cross Blue Shield.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

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

NOTE 12 - PURCHASED SERVICES

For fiscal year ended June 30, 2014, purchased services expenses were as follows:

Professional and Technical Services	\$ 235,264
Property Services	231,653
Communications	5,500
Utility Services	29,291
Contracted Services	117,884
Other Purchased Services	<u>40,793</u>
Total	<u>\$ 660,385</u>

NOTE 13 - SPONSOR CONTRACT

For fiscal year 2014, the Academy was under a sponsor contract with Buckeye Community Hope Foundation (the "Sponsor"). This contract was renewed for an additional five years commencing on July 1, 2014 and continuing through June 30, 2019. Under the contract, the Sponsor agreed to provide oversight and guidance to the Academy including, but not limited to, the following:

- Monitoring the Academy's compliance with applicable laws and terms of the Sponsorship contract.
- Monitoring and evaluating the academic and fiscal performance and the organization and operation of the Academy.
- Reporting annually the results of its evaluation to the Ohio Department of Education and to parents of students enrolled in the Academy.
- Providing technical assistance to the Academy in complying with applicable laws and the Sponsorship contract.
- Intervening as the Sponsor deems necessary in the Academy's operation to correct problems with overall performance. The Sponsor may, at its sole discretion, require a plan of action from the Academy to cure any issues or violations.
- Preparing and assisting with contingency plans in the event the Academy experiences difficulties or closes before the end of the school year.

NOTE 14 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure 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. 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.

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 14 - CONTINGENCIES - (Continued)

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review after fiscal year end, the Ohio Department of Education owes \$13 to the Academy. This amount is reflected as an intergovernmental receivable on the basic financial statements.

C. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

NOTE 15 - RELATED PARTY TRANSACTION

On March 1, 2006, the Academy entered into a lease agreement with Unified Investment Corp., a related party of the Academy, for the purposes of leasing the premises used to provide services by the Academy. The original lease agreement was amended on April 30, 2008 with a revised rental payment schedule and renewal option stating as a five percent increase for every year after the initial lease term. The following is a summary of the agreed-upon monthly rental amounts to be paid by the Academy as part of the agreement:

<u>Period</u>	<u>Monthly Rent</u>
July 1, 2013 through June 30, 2014	\$ 14,792

During fiscal year 2014, the Academy paid a total of \$223,220 to Unified Investment Corp. Of this total, \$177,507 represented rental payments while the additional \$45,713 represented payments for utilities, ground maintenance, property taxes, security, and certain building repairs.

Dr. Mouhamed Tarazi is a prior President of, and currently holds an investment interest in, Unified Investment Corp. Dr. Tarazi is the Director of International Academy of Columbus, which is governed by the same Board as governs Westside Academy. Additionally, although not an actual employee or official of Westside Academy, Dr. Tarazi was an integral part of the Westside Academy's start up in fiscal year 2006, at the time of the initial agreement.

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

Westside Academy
Franklin County
4330 Clime Road North
Columbus, Ohio 45228

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 Westside Academy, Franklin 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 February 27, 2015.

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.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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. We consider finding 2014-WEST-01 described in the accompanying schedule of findings to be a material weakness.

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

Compliance and Other Matters

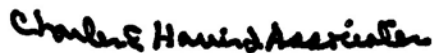
As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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*.

Entity's Response to Finding

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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.
February 27, 2015

**WESTSIDE ACADEMY
FRANKLIN COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS
For the Year Ended June 30, 2014**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2014-WEST-01 – Material Weakness

The Academy maintains its records on the cash basis throughout the year and contracts with an outside consultant to convert its year end statements to conform to GAAP.

The Academy paid the July 2014 rent in advance, however the payment was recorded as a 2014 expense rather than a prepayment. The effect of this error was to overstate the 2014 rent expense by \$19,380 thereby understating net position. The financial statements have been adjusted to reflect the proper presentation and management has agreed to the adjustment.

An effective system of internal control provides for the prevention or detection and timely correction of material misstatements of the financial statements. While management may obtain outside consultants to assist in the preparation of financial statements, management is responsible for reviewing and approving the work of those consultants and retains responsibility for the accuracy of those financial statements.

We recommend that management review its procedures for monitoring the work of outside consultants engaged for the preparation of the financial statements.

Management Response:

Management will review its procedures for monitoring and approving the work of outside consultants with respect to the preparation of the financial statements and address any deficiencies noted.

SCHEDULE OF PRIOR AUDIT FINDINGS

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



Dave Yost • Auditor of State

WESTSIDE ACADEMY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 12, 2015**