



**Auditor of State  
Betty Montgomery**



**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Balance Sheet .....	3
Statement of Revenues, Expenses, and Changes in Retained Earnings .....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements .....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings.....	21

**THIS PAGE INTENTIONALLY LEFT BLANK**



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

YouthBuild Columbus Community School  
Franklin County  
1183 Essex Avenue  
Columbus, OH 43215

To the Board of Trustees:

We have audited the accompanying Balance Sheet of the YouthBuild Columbus Community School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2003, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows for the year ended June 30, 2003. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the YouthBuild Columbus Community School, Franklin County, Ohio, as of June 30, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Auditor of State has billed the School for services rendered for the consulting and audit services provided for fiscal year 2002. As of June 30, 2003, the School had been billed a total of \$11,996 and had yet to pay \$11,996, which is included in accounts payable.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2004, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery  
Auditor of State**

April 7, 2004

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**THIS PAGE INTENTIONALLY LEFT BLANK**

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2003**

**Assets**

**Current Assets**

Cash	\$29,865
Total Current Assets	<u>29,865</u>

**Non-Current Assets**

Fixed Assets (Net of Accumulated Depreciation)	1,133,401
Total Non-Current Assets	<u>1,133,401</u>

Total Assets	<u><u>1,163,266</u></u>
--------------	-------------------------

**Liabilities and Equity**

**Current Liabilities**

Accounts Payable	17,448
Intergovernmental Payable	43,185
Accrued Wages	33,523
Compensated Absences	1,952
Loans Payable	7,500
Notes Payable, currently due	145,650
Capital Leases, currently due	25,022
Accrued Interest Payable	5,067
Total Current Liabilities	<u>279,347</u>

**Long Term Liabilities**

Notes Payable	150,000
Mortgage Note Payable, net of current portion	555,957
Total Long Term Liabilities	<u>705,957</u>

Total Liabilities	985,304
-------------------	---------

Retained Earnings	<u>177,962</u>
-------------------	----------------

Total Liabilities and Equity	<u><u>\$1,163,266</u></u>
------------------------------	---------------------------

The accompanying notes to the financial statements  
are an integral part of this statement.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED JUNE 30, 2003**

**Operating Revenues**

Foundation Payments	\$ 380,746
Other	4,912
Total Operating Revenues	<u>385,658</u>

**Operating Expenses**

Salaries	324,253
Fringe Benefits	90,078
Purchased Services	91,392
Materials & Supplies	17,079
Depreciation	31,106
Other	6,736
Total Operating Expenses	<u>560,644</u>

Operating Loss (174,986)

**Non-Operating Revenues (Expenses)**

Donations	116,843
State Grants	7,925
Federal Grants	14,280
Rent	11,000
Interest	599
Fees related to debt issuance	(5,643)
Interest on Capitalized Leases	(330)
Interest on Notes Payable	(35,860)
Total Non-Operating Revenues (Expenses)	<u>108,814</u>

Net Income (66,172)

Retained Earnings at Beginning of Year 244,134

Retained Earnings at End of Year \$177,962

The accompanying notes to the financial statements  
are an integral part of this statement.



**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003**

**Increase (decrease) In Cash:**

**Cash Flows from Operating Activities**

Cash Received from State of Ohio	\$ 382,153
Cash Received from Other Sources	4,912
Cash Payments to Employees for Services and Benefits	(310,941)
Cash Payments for Employee Benefits	(93,994)
Cash Payments for Purchased Services	(79,536)
Cash Payments to Suppliers for Goods and Services	(17,079)
Cash Payments for other operating expenses	(8,294)
Net Cash used for Operating Activities	<u>(122,779)</u>

**Cash Flows from Noncapital Financing Activities**

Donations Received	130,098
Grants Received	19,742
Rent Received	11,000
Proceeds of Loans	2,500
Net cash provided by noncapital financing activities	<u>163,340</u>

**Cash Flows from Capital and Related Financing Activities**

Acquisition of Capital Assets	(715,910)
Interest paid on capital leases	(330)
Principal payments on capital leases	(5,004)
Fees paid associated with debt issuances	(5,643)
Proceeds of notes	606,657
Interest paid on notes payable	(32,873)
Principal payments on notes payable	(4,199)
Net Cash used for capital and related financing activities	<u>(157,302)</u>

**Cash Flows from Investing Activities**

Interest	599
Net cash provided from investing activities	<u>599</u>

Net Decrease in Cash (116,142)

Cash at Beginning of Year 146,007

Cash at End of Year \$29,865

Continued

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2003  
(Continued)**

**Reconciliation of Operating Loss to Net Cash  
used for Operating Activities**

Operating Loss	(\$174,986)
----------------	-------------

**Adjustments to reconcile Operating Loss to Net  
Cash used for Operating Activities**

Depreciation	31,106
Changes in Assets and Liabilities	
Decrease in Rent Deposit	1,500
Increase in Accounts Payable	8,798
Increase in Intergovernmental Payable	5,851
Increase in Accrued Wages Payable	5,148
Decrease in Compensated Absences Payable	<u>(196)</u>
Total Adjustments	52,207
Net Cash used for Operating Activities	<u><u>(\$122,779)</u></u>

Noncash Activity:

Inception of Capital Lease	\$30,026
----------------------------	----------

The accompanying notes to the financial statements are  
an integral part of this statement.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003**

**1. DESCRIPTION OF THE ENTITY**

YouthBuild Columbus Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objectives are to carry out the academic training component of the YouthBuild Columbus program, to advance underserved youth through education, job training, personal development, leadership development, and community service. The YouthBuild Columbus program helps dropouts from traditional high schools in a year-round program that enables students to gain employable skills by building and rehabilitating houses in Columbus' Empowerment Zone that are sold to low-income families. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School was approved for operation on June 14, 2001, under a contract by and between the Ohio Department of Education (ODE), as Sponsor, and the Governing Authority of YouthBuild Columbus Community School. The School commenced official operation on July 1, 2001.

The five-member 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 qualifications of teachers. The Board controls the School's principal, four full time non-certified staff, and four certified full time teaching personnel who provide services to approximately 60-70 students during the school year.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School does not apply FASB Statements or Interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

The School uses enterprise accounting to report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**B. Measurement Focus/Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2003  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus/Basis of Accounting (continued)**

Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements and to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Revenues resulting from exchange transactions are recorded on the accrual basis when the exchange takes place. Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been met.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and the Sponsor does not prescribe an annual budget requirement, but sets forth a requirement to submit a spending plan each fiscal year.

The School did not prepare and submit the required spending plan for fiscal year 2003.

**D. Cash**

All monies received by the School are deposited in accounts in the School's name.

**E. Fixed Assets and Depreciation**

Fixed assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of one thousand dollars per its contract with the ODE. The School does not possess any infrastructure. The School does not capitalize interest. 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.

Building, vehicles, and equipment are depreciated using the straight-line method over the assets' estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

The following is the estimated useful lives for property, vehicles, and equipment:

<u>Asset</u>	<u>Useful Life</u>
Building	45 years
Vehicles	2 years
Furniture and Equipment	1 - 10 years

The School did not utilize the fixed asset procedures described in the contract with ODE.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Intergovernmental Revenues**

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements, such as Title I and Schoolnet, are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. 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 school must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

Amounts awarded under the above programs for the 2003 school year totaled \$402,951.

**G. Compensated Absences**

Leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered. Unused personal leave is paid out at 100% of the employee's current pay rate at the end of the school year. Sick leave must be used during the school year, is non-accumulative, and is not paid out at the end of the school year. Permanent, year-round employees are entitled to annual vacation leave which is granted on June 1 of each subsequent year of employment and is based on the employee's service years. Upon separation from employment, employees are entitled to compensation at their current rate of pay for all unused vacation leave, prorated to reflect the pay periods worked. The balance sheet reflects a liability of \$1,952 for unused vacation leave as of June 30, 2003.

**H. Long Term Liabilities**

Long-term liabilities are those due more than one year after the balance sheet date.

**I. Estimates**

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

**3. CASH**

At June 30, 2003, the carrying amount of the School's deposits was \$29,865 and the bank balance was \$56,881. The total bank balance was insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**4. FIXED ASSETS**

A summary of the School's fixed assets at June 30, 2003, follows:

Asset	Balance at June 30, 2003
Building	\$1,125,450
Vehicles	1,500
Furniture and Equipment	37,557
Total Fixed Assets	1,164,507
Less: Accumulated Depreciation	(31,106)
Net Fixed Assets	\$1,133,401

**5. RISK MANAGEMENT**

**A. Property and Liability**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For fiscal year 2003, the School contracted with Accordia of Illinois Insurance Company for property and general liability insurance. The property insurance limits are \$1,000 deductible and \$385,000 aggregate. The general liability insurance limits are \$1,000,000 each occurrence and \$2,000,000 aggregate.

**B. Worker's Compensation**

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

**6. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School contributes to the School Employees Retirement System (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 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 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligation. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003 and 2002 were \$7,845 and \$4,499, respectively; 19% has been contributed for fiscal year 2003; 100% has been contributed for fiscal year 2002. The School had an outstanding payable to SERS in the amount of \$10,845 at June 30, 2003, of which \$6,329 was for pension obligations.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**6. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215 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 determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, 9.5 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 10% 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 for the fiscal years ended June 30, 2003 and 2002 were \$27,537 and \$17,156 respectively; 46 percent has been contributed for fiscal years 2003. As of June 30, 2003 the School's liability to STRS was \$13,514 of which \$12,549 was for pension obligations.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**7. POST-EMPLOYMENT BENEFITS**

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis. All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$2,118 for fiscal year 2003. STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354.697 million and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll.

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$5,598. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses.

Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**8. MEDICAL AND DENTAL EMPLOYEE BENEFITS**

The Buckeye Community Hope Foundation (BCHF) has contracted with Medical Mutual of Ohio for a group medical policy for full-time employees of YouthBuild. YouthBuild reimburses BCHF for the premiums paid. Dental insurance is provided by American General. All full-time employees are eligible to select coverage under this plan, once they have been employed by the school for thirty days. Currently, BCHF pays 100% of each employee's individual and/or family premium. Premiums are determined by Medical Mutual of Ohio.



**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**9. PURCHASED SERVICES**

For the period July 1, 2002 through June 30, 2003, purchased service expenses were for the following services:

<b>Type</b>	<b>Amount</b>
Professional and Technical Services	\$36,648
Communications	9,100
Utilities	16,077
Travel Mileage/Meeting Expense	478
Rent	16,500
Pupil Transportation	175
Advertising	2,535
Shipping/Postage	410
Equipment and Supplies Rental	9,469
<b>Total</b>	<b>\$91,392</b>

**10. TAX EXEMPT STATUS**

The School completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code and was approved for tax exempt status on May 21, 2002. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

**11. NOTES PAYABLE**

The School entered into an open end mortgage note agreement on January 8, 2003 in the amount of \$121,210 to cover additional renovation costs to the building. The mortgage had an interest rate of 1.6% over the prime interest rate and had no required repayment schedule. The prime rate for the duration of the mortgage was 4%. The School paid the mortgage note in full on November 12, 2003.

**12. LONG-TERM LIABILITIES**

A summary of long-term obligations for the year ended June 30, 2003, is as follows:

Columbus Compact Corporation Note	\$150,000
Bank One Mortgage	580,397
Total Long-Term Liabilities	\$730,397

*Columbus Compact Corporation* – The School entered into a promissory note with Columbus Compact Corporation on April 30, 2002 for the purpose of acquiring land and a building to be used for the school. The repayment of the principal on this note is deferred for five years. The note has a 4% interest rate and interest accrues during the deferment period. Interest payments are to be made in semi-annual payments during the term of deferment which began on December 31, 2002. At the end of the five year deferment period, the loan will be amortized over 15 years, with a balloon payment due in the final year of the loan.

*Bank One Mortgage* - The School entered into a temporary draw note with Bank One on April 30, 2002 for the purpose of acquiring land and a building to be used for the school. This temporary draw note became part of a permanent mortgage note in the amount of \$584,375 on May 13, 2003. The permanent mortgage note was used for renovations to the building to be used for the school. The School began paying monthly installments of principal and interest on May 16, 2003. This is a simple interest loan with the final payment due on April 3, 2010.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**12. LONG-TERM LIABILITIES (Continued)**

Amortization of the Columbus Compact Corporation and Bank One Mortgage is as follows:

Fiscal year Ending June 30:	Principal	Interest	Total
2004	\$24,440	\$43,010	\$67,450
2005	26,077	41,373	67,450
2006	27,823	39,627	67,450
2007	31,405	37,263	68,668
2008	39,167	35,596	74,763
2009-2013	235,471	138,348	373,819
2014-2018	346,014	43,453	389,467
Total	\$730,397	\$378,670	\$1,109,067

**13. RELATED ORGANIZATIONS/RELATED PARTY TRANSACTIONS**

The School is a related organization to Buckeye Community Hope Foundation (BCHF) and YouthBuild Columbus, a non-profit organization affiliated with YouthBuild USA. A description of the School's relationship with these entities follows.

**A. Buckeye Community Hope Foundation**

BCHF appoints all five members of the Board of Trustees of the School. Three of the Board members are also employed by BCHF. BCHF does not impose its will on the School Board. The School's accountability to BCHF ceases with the BCHF's appointments to the School Board. The School Board sets its own budget, hires/terminates personnel, and authorizes all expenditures. Related party transactions with BCHF were as follows:

Description of Transaction	Amount
Amounts received from BCHF:	
Donations	\$53,767
Portion of Vocational Training Teacher's Salaries	60,691
Disbursements to BCHF:	
For medical, dental, disability benefits (note 8)	(57,488)
Loans payable to BCHF*:	
For operating capital loans received in the current and prior years	7,500

\*There is no written contract agreement or terms of these loans.

**B. YouthBuild Columbus**

YouthBuild Columbus supports policies and programs which enable young people to assume leadership in order to rebuild their communities. The Vice President of the School's Board of Trustees is also the Executive Director of YouthBuild Columbus. The School's Principal is also the President of the Board of YouthBuild Columbus. The School began leasing space in the school building at 1183 Essex Avenue to YouthBuild Columbus in March 2003 (See Note 14). Receipts from YouthBuild Columbus related to this lease were \$11,000.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**14. RENT REVENUE**

The School entered into a lease agreement for the use of space in the Essex Avenue School Building with YouthBuild Columbus. The premise will be used as offices by the lessee. The lease commenced March 1, 2003 and the term of the lease is indefinite. Lease revenue received by the School totaled \$11,000 which included a \$2,000 security deposit.

**15. CAPITAL LEASE - LESSEE DISCLOSURE**

The School entered into a capitalized lease agreement for equipment during fiscal year 2003. The lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets of \$30,026 have been recorded, which represents the present value of the minimum lease payments at time of acquisition. The accumulated depreciation for the capital lease fixed asset was \$5,004 at June 30, 2003. Principal payments for fiscal year 2003 totaled \$5,004. The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	Lease Payments
2004	\$26,670
Total Minimum Lease Payments	26,670
Less: Amount Representing Interest	(1,648)
Present Value of Minimum Lease Payments	\$25,022

**16. CONTINGENCIES**

**A. Grants**

The School 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 School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2003.

**B. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2003  
(CONTINUED)**

**16. CONTINGENCIES (Continued)**

**C. Ohio Department of Education Enrollment Review**

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. The fiscal year 2003 review resulted in the discovery of an overpayment to the School in the amount of \$1,407. This amount has been reflected as a liability and will be paid during fiscal year 2004.

**D. Litigation**

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18th, 2003. The effect of this suit, if any, on the School is not presently determinable.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

YouthBuild Columbus Community School  
Franklin County  
1183 Essex Avenue  
Columbus, Ohio 43215

To the Board of Trustees:

We have audited the financial statements of the YouthBuild Columbus Community School, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2003, and have issued our report thereon dated April 7, 2004, wherein we disclosed audit and consulting fees that have been billed to the School by the Auditor of State and the portion that remained unpaid at the balance sheet date. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002.

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

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings as items 2003-001, and 2003-003 through 2003-005.

35 N. Fourth St. / Second Floor / Columbus, OH 43215  
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated April 7, 2004.

This report is intended for the information and use of management and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
**Auditor of State**

April 7, 2004

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2003**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2003-001**

**Fixed Assets**

Section 2.5 of the School's Financial Plan, an exhibit of the School's contract with the Ohio Department of Education, the Sponsor, details procedures to be followed when purchasing and disposing of fixed assets. These processes include assigning asset numbers to each asset, tagging all assets with the asset number, use of a disposal form, maintaining relevant data in a fixed asset system (purchase date, purchase price, quantity, tag number, location, useful life, etc.), and completing a physical inventory of all assets at the end of each school year.

The School has not implemented the processes required by the contract. Failure to follow those processes could result in misappropriation of assets, misstatements of recorded assets, and could allow for undetected theft or loss of these assets.

We recommend the School develop a fixed asset policy and implement a plan for tracking and tagging inventory of assets purchased and disposed, as outlined in the Financial Plan section of the contract between the School and the Sponsor.

*This matter was also communicated in the management letter of our 2002 financial statement audit.*

**FINDING NUMBER 2003-002**

**Spending Plan**

Section 2.2 of the School's Financial Plan, an exhibit of the School's contract with the Ohio Department of Education (ODE), requires the School to prepare and submit an annual spending plan.

The School did not approve a spending plan for fiscal year 2003.

The lack of an approved spending plan could jeopardize the School's contract with ODE and also limits the School's ability to monitor actual financial activity with projections.

We recommend the School prepare and approve a spending plan for each fiscal year as required. The plan should be submitted to ODE and should also be used to monitor actual activity.

**FINDING NUMBER 2003-003**

**Bank Reconciliations**

The School should ensure all bank accounts are reconciled to the accounting records on a monthly basis.

The Fiscal Officer did not prepare monthly bank reconciliations for the fiscal year ended June 30, 2003, until February of 2004.

The lack of timely bank reconciliations could lead to undetected errors, irregularities, and omissions that could affect both the accounting records and the depository activity. The lack of timely bank reconciliations could also cause inaccurate fund balances and, therefore, limits effective decision making.

We recommend the School implement procedures to ensure the Fiscal Officer performs monthly bank reconciliation of all accounts in a timely manner. Such reconciliations should be reviewed and approved by the Board of Trustees.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2003  
(CONTINUED)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2003-004**

**Board Meetings**

The Board of Trustees (the Board) should meet on a regular basis (e.g., monthly) to monitor the financial and academic activities of the School. The Board should be informed of and involved in decisions that affect the financial and academic operations of the School, including:

- human resource issues (hiring/terminations, salaries, benefits, etc.)
- equipment and building issues (contract agreements, equipment purchase/lease, renovations, etc.)
- financial information (enrollment, revenue sources, routine expenditures, bank reconciliations, etc.)
- academic information (enrollment, academic plan, proficiency testing results and planned response, etc.)

The Board held only two meetings in fiscal year 2003. The lack of regular meetings of the Board limits the Board's ability to effectively monitor the School's activities and to make decisions in a timely manner.

At each regular meeting, the Board should approve the minutes from the prior meetings, recognize and review/approve the monthly financial reports submitted by the Fiscal Officer, recognize and discuss the Principal's Report, and should document other significant events (approving debt issues, contract agreements, etc.).

We recommend the Board meet monthly to monitor and make decisions on the School's activities and to evidence their approval of those activities.

**FINDING NUMBER 2003-005**

**Monthly Financial Reports**

The Fiscal Officer should submit financial reports (including revenue and expense detail, fund balance, and the monthly bank reconciliation) and any other significant financial information to the Board each month.

There was no indication the Board requested or received financial reports, bank reconciliations, or any other financial information, during the fiscal year.

The lack of timely financial information limits the Board's ability to effectively monitor the School and make informed decisions.

We recommend the Board request the Fiscal Officer submit financial reports (including revenue and expense detail, fund balance information, and the monthly bank reconciliation) and any other significant financial information to them each month. The Board should recognize the receipt of these reports in the minutes. Board members should also sign off on this information as evidence of their review.



**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2003**

<u>Finding Number</u>	<u>Summary</u>	<u>Status of Finding</u>
2002-10625-001	Ohio Revised Code 3314.08(J) – Community School debt must be evidenced by notes and mature by fiscal year end.	Compliance requirement changed - no longer limited to one year

**This Page is Intentionally Left Blank.**



**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL**

**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 11, 2004**