YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Auditor of State
Betty Montgomery

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

YouthBuild Columbus Community School
Franklin County
7215 Sawmill Road, Suite 50
Dublin, Ohio 43016

To the Board of Trustees:

We have audited the accompanying basic financial statements of YouthBuild Columbus Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2005 as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 Youthbuild Columbus Community School, Franklin County, Ohio, as of June 30, 2005, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Betty Montgomery

Betty Montgomery
Auditor of State

April 6, 2006

Management's discussion and analysis of YouthBuild Columbus Community School (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2005. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- Total net assets decreased $60,574.
- Current liabilities increased $14,869 while current assets decreased $37,705.
- Total revenue decreased from $791,463 in fiscal year 2004 to $637,767 in fiscal year 2005.
- Total expenses increased from $666,973 in fiscal year 2004 to $698,341 in fiscal year 2005.
- The School has $666,201 in long term liabilities as of June 30, 2005.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* reflect how the School did financially during fiscal year 2005. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors. The School uses enterprise presentation for all of its activities.

Table 1 provides a summary of the School's net assets as of June 30, 2005 compared to the prior year.

Table 1
Net Assets

	2005	2004
Assets:		
Cash and Other Current Assets	$124,990	$162,695
Capital Assets, Net	1,066,679	1,099,733
Total Assets	1,191,669	1,262,428
Liabilities:		
Current Liabilities	143,590	128,721
Long Term Liabilities	666,201	691,255
Total Liabilities	809,791	819,976
Net Assets:		
Invested in Capital Assets, Net	376,798	384,408
Unrestricted	5,080	58,044
Total Net Assets	$381,878	$442,452

Current assets decreased in 2005 due to decreased revenues from foundation, federal grants, and private contributions. Capital assets, net, decreased as a result of depreciation.

Liabilities decreased by $10,185 and net assets decreased by $60,574 in 2005. These reductions are small relative to the large reduction in revenue.

Table 2 shows change in Net Assets for fiscal year 2005 compared with fiscal year 2004.

Table 2
Change in Net Assets

	2005	2004
Operating Revenues:		
Foundation	$515,089	$625,594
Other Operating Revenue	5,778	8,125
Non-Operating Revenues:		
Grants	78,119	98,994
Other Non-Operating	38,781	58,750
Total Revenues	637,767	791,463
Operating Expenses:		
Salaries	317,655	310,079
Fringe Benefits	90,032	108,770
Purchased Services	151,116	100,447
Materials & Supplies	15,858	19,799
Depreciation	36,563	33,668
Other Operating Expenses	45,180	48,818
Non-Operating Expenses:		
Interest & Fees Related to Debt	41,937	45,392
Total Expenses	698,341	666,973
Total Increase (Decrease) in Net Assets	($60,574)	$124,490

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation and grant revenues made up 92% of all revenues for the School in fiscal year 2005. Other revenues decreased due to the decrease in private contributions.

Budgeting Highlights

The School is not required to follow the budgetary provisions set forth in Ohio Revised Code Section 5705.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School has $1,066,679 in net capital assets. The majority of the capital assets is the school building.

Debt

At June 30, 2005, the School had $689,881 in outstanding debt. $150,000 is a long-term note to the Columbus Compact foundation, $532,381 is the mortgage due to Bank One and the remaining $7,500 is a loan payable to the Buckeye Community Hope Foundation.

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditor's with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, CFO, YouthBuild Columbus Community School, 1183 Essex Ave. Columbus, OH 43215.

THIS PAGE INTENTIONALLY LEFT BLANK

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2005

Assets	
Current Assets:	
Cash	$55,520
Prepaids	15,746
Receivables:	
Accounts	6,000
Intergovernmental	47,724
Total Current Assets	124,990
Noncurrent Assets:	
Capital Assets:	
Capital Assets, net of accumulated depreciation	1,066,679
Total Noncurrent Assets	1,066,679
Total Assets	1,191,669
Liabilities	
Current Liabilities:	
Accounts Payable	54,022
Accrued Wages and Benefits	31,645
Intergovernmental Payable	29,063
Interest Payable	1,442
Notes Payable, current portion	27,418
Total Current Liabilities	143,590
Long-Term Liabilities:	
Notes Payable, net of current portion	654,963
Loans Payable	7,500
Compensated Absences Payable	3,738
Total Long-Term Liabilities	666,201
Total Liabilities	809,791
Net Assets	
Invested in Capital Assets, Net of Related Debt	376,798
Unrestricted	5,080
Total Net Assets	$381,878

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

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

Operating Revenues:	
Foundation	$515,089
Other	5,778
Total Operating Revenues	520,867
Operating Expenses:	
Salaries	317,655
Fringe Benefits	90,032
Purchased Services	151,116
Materials and Supplies	15,858
Depreciation	36,563
Other	45,180
Total Operating Expenses	656,404
Operating Loss	(135,537)
Non-Operating Revenues (Expenses):	
Rental Income	36,000
Interest on Notes Payable	(41,937)
Grants	78,119
Other Non-Operating Revenues	2,781
Total Non-Operating Revenues (Expenses)	74,963
Change in Net Assets	(60,574)
Net Assets Beginning of Year	442,452
Net Assets End of Year	$381,878

The accompanying notes to the basic 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, 2005

Increase (Decrease) in Cash:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$589,853
Cash Received from Other Sources	5,778
Cash Payments to Employees for Services	(306,884)
Cash Payments for Employee Benefits	(96,450)
Cash Payments for Goods and Services	(124,688)
Cash Payments for Other Operating Expenses	(47,079)
Net Cash Provided by Operating Activities	20,530
Cash Flows from Noncapital Financing Activities:	
Grants Received	99,401
Other	2,781
Net Cash Provided by Noncapital Financing Activities	102,182
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(3,509)
Interest Paid on Notes Payable	(42,006)
Principal Payments on Notes Payable	(25,444)
Net Cash Used for Capital and Related Financing Activities	(70,959)
Net Increase in Cash and Cash Equivalents	51,753
Cash at Beginning of Year	3,767
Cash at End of Year	$55,520

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	(135,537)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	36,563
(Increases) Decreases in Assets:	
Intergovernmental Receivable	74,764
Prepaids	(588)
Increases (Decreases) in Liabilities:	
Accounts Payable	44,742
Accrued Wages and Benefits	(1,867)
Intergovernmental Payable	725
Compensated Absences	1,728
Total Adjustments	156,067
Net Cash Provided by Operating Activities	$20,530

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

THIS PAGE INTENTIONALLY LEFT BLANK

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, one full time non-certified staff, and five certified full time teaching personnel who provide services to approximately 60-80 students during the school year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

The School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

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 associated with the operation of the School are included on the Statement of Net Assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

The Statement of Revenues, Expenses and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

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.

D. Cash

All cash received by the School is deposited in accounts in the School's name. The School did not have any investments during fiscal year 2005.

E. Capital Assets and Depreciation

Capital assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of seven hundred fifty dollars for computers and one thousand dollars for all other assets. 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, improvements, however, are capitalized. Building, vehicles, furniture 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 capital assets.

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

Asset	Useful Life
Building	45 years
Vehicles	2 years
Furniture and Equipment	1 - 10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program and State Disadvantaged Pupil Impact Aid Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as 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.

The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenues. Amounts awarded under the above programs for the 2005 school year totaled $593,208.

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.

H. 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.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Operating Revenues and Expenses

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used. The School has prepaid items totaling $15,746.

3. CASH

At June 30, 2005, the carrying amount of the School's deposits was $55,520 and the bank balance was $64,205. Based on the criteria described in GASB Statement No.40 " Deposit and Investment Risk Disclosure" as of June 30, 2005 none of the bank balance was exposed to custodial credit risk. Custodial risk is the risk that in the event of bank failure the Academy will not be able to recover deposits. The total bank balance was insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. The School had no investments at June 30, 2005 or during the fiscal year.

4. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2005, follows:

	Balance at 7/1/2004	Additions	Deletions	Balance at 6/30/2005
Building	$1,125,450	$0	$0	$1,125,450
Vehicles	1,500	0	0	1,500
Furniture and Equipment	37,557	3,509	0	41,066
Total Capital Assets	1,164,507	3,509	0	1,168,016
Less: Accumulated Depreciation	(64,774)	(36,563)	0	(101,337)
Net Capital Assets	$1,099,733	$(33,054)	$0	$1,066,679

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 2005, 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. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last three years.

5. RISK MANAGEMENT (Continued)

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. The School had paid all premiums as of June 30, 2005.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004, and 2003 were $5,255, $5,754, and $6,947, respectively. 100% has been contributed for both fiscal years. The School had a prepaid balance to SERS in the amount of $15,746 at June 30, 2005, all of which was for pension obligations.

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

6. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of 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 fifty and termination of employment.

The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. 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 balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 DCP 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, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 was $35,706, $32,073, and $27,533, respectively. The full amount has been contributed for fiscal years 2004 and 2003 and 77 percent has been contributed for fiscal year 2005. As of June 30, 2005, the School's liability to STRS Ohio was $8,810.

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 classified 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

7. POST-EMPLOYMENT BENEFITS (Continued)

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $2,747 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was $3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were $268,739,000 and STRS Ohio had 111,853 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, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty rate.

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at $27,400. For the School, the amount contributed to fund health care benefits during the 2005 fiscal year equaled $1,706.

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, 2004 (the latest information available), were $223,443,805 and the target level was $335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 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 or a group medical policy including full-time employees of the School. The School 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, the School pays 100% of each employee's individual and/or family premium. Premiums are determined by Medical Mutual of Ohio.

Effective May 1, 2005, the School contracted with AETNA Insurance for its medical payments and no longer is affiliated with BCHF.

9. PURCHASED SERVICES

For the period July 1, 2004 through June 30, 2005, purchased service expenses were for the following services:

Professional Services	$92,326
Property Services	18,584
Travel and Meetings	5,856
Communications	12,063
Utilities	21,352
Trade Services	935
Total	$151,116

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. LONG-TERM LIABILITIES

A summary of long-term obligations for the year ended June 30, 2005, is as follows:

	Balance at 7/1/2004	Additions	Deletions	Balance at 6/30/2004
Long-Term Notes Payable	$707,825	$0	$25,444	$682,381
Compensated Absences	2,010	1,728	0	3,738
Loans Payable	7,500	0	0	7,500
Total Long-Term Liabilities	$717,335	$1,728	$25,444	$693,619

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.

Loan Payable – The School received a loan from BCHF in prior years for operating capital loans. There was no written contract or terms for this loan.

11. 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
2006	$27,418	$40,032	$67,450
2007	30,987	37,682	68,669
2008	38,734	36,030	74,764
2009	41,147	33,617	74,764
2010	43,713	31,051	74,764
2011-2015	342,286	106,593	448,879
2016-2018	158,096	15,496	173,592
Total	$682,381	$300,501	$982,882

12. 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 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:	
Expense Reimbursement for BCHF Salaries paid by the school	$391
Disbursements to BCHF:	$47,046
For medical, dental, disability benefits (note 8)	
Receivables/Payables from/to BCHF as of June 30, 2005:	
Receivable for Rent Revenue (see Note 13)	$6,000
Loan payable to BCHF (see Note 11)	$7,500

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 13).

13. 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. YouthBuild Columbus is a subsidiary of Buckeye Community Hope Foundation. During 2005, no rent payments for this space were paid to the School by BCHF on behalf of YouthBuild Columbus due to $30,000 prepayment in Fiscal Year 2004. BCHF owes the School $6,000 of rent which is recorded as accounts receivable.

14. 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, 2005.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) school's 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 on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any on the School is not presently determinable.

C. Full Time Equivalency

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 School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The fiscal year 2005 review found the School was overpaid $473. The School's fiscal year 2006 foundation receipts will be reduced by this amount.

15. STATE SCHOOL FUNDING

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 its future State funding and on its financial operations.

16. SUBSEQUENT EVENTS

On July 19, 2005, the Ohio Department of Education assigned sponsorship of the School to the Buckeye Community Hope Foundation effective July, 1, 2005.

On October 19, 2005, the Board authorized the CFO to establish a $50,000 equity line of credit and authorized him to expend $17,000 of that amount for the installation of a fire alarm system for the School.

THIS PAGE INTENTIONALLY LEFT BLANK

Auditor of State
Betty Montgomery

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

YouthBuild Columbus Community School
Franklin County
7215 Sawmill Road, Suite 50
Dublin, Ohio 43016

To the Board of Trustees:

We have audited the basic financial statements of YouthBuild Columbus Community School, Franklin County, Ohio (the School) as of and for the year ended June 30, 2005, and have issued our report thereon dated April 6, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated April 6, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School'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, providing an opinion 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*. In a separate letter to the School's management dated April 6, 2006, we reported an other matter related to noncompliance we deemed immaterial.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

April 6, 2006

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
JUNE 08, 2006