



Dave Yost • Auditor of State



**COLUMBUS ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Columbus Arts and Technology Academy  
Franklin County  
2255 Kimberly Parkway East  
Columbus, Ohio 43232

To the Board of Directors:

We have audited the accompanying basic financial statements of the Columbus Arts and Technology Academy, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Academy'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 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 Columbus Arts and Technology Academy, Franklin County, Ohio, as of June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 18 to the financial statements, the Academy has suffered recurring losses from operations (\$2,618,655) and has a net asset deficiency (\$3,275,353) that raise substantial doubt about its ability to continue as a going concern. Note 18 describes management's plan regarding these issues. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2011, 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. 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Academy's basic financial statements taken as a whole. The federal awards receipt and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipt and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

March 2, 2011

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
UNAUDITED*

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The discussion and analysis of the Columbus Arts & Technology Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. Readers should also review the basic financial statements and notes to enhance their understanding of the Academy's financial performance.

**Highlights**

The Academy finished its sixth year of operation during fiscal year 2010 serving grades kindergarten through eighth grade. Enrollment varied during the year but ended the year with 392 students.

Key highlights for fiscal year 2010 are as follows:

- Net assets decreased \$1,122,206 as compared to a decrease of \$685,598 for the prior fiscal year.
- Academy had an operating loss of \$2,618,655 compared to an operating loss of \$1,894,853 in the prior fiscal year.
- The fiscal 2010 operating loss was substantially offset by \$1,646,249 of non-operating Federal and State Restricted Grants.

**Overview of the Financial Statements**

The financial report consists of three parts: the management discussion and analysis, the basic financial statements and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resource measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the statement of position of the Academy. The statement of revenues, expenses, and changes in net assets present increases (e.g., revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to full understanding of the data provided on the basic financial statements.

**Financial Analysis of the Academy as a Whole**

The Academy is not required to present government-wide financial statements as the Academy is engaged in only business-type activities. Therefore, no condensed financial information derived from the governmental-wide financial statements is included in the discussion and analysis.

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)*

Table 1 provides a summary of Academy's net assets for 2010 compared to 2009:

Table 1  
Net Assets

	2010	2009	Change
<u>Assets:</u>			
Current Assets	\$396,036	\$266,724	\$129,312
Capital Assets	101,979	119,977	(17,998)
Total Assets	<u>498,015</u>	<u>386,701</u>	<u>111,314</u>
<u>Liabilities:</u>			
Current Liabilities	3,527,509	2,486,571	1,040,938
Long-Term Liabilities	245,859	21,553	224,306
Total Liabilities	<u>3,773,368</u>	<u>2,508,124</u>	<u>1,265,244</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	80,426	88,487	(8,061)
Restricted for Other Purposes	5,679	0	5,679
Unrestricted	<u>(3,361,458)</u>	<u>(2,209,910)</u>	<u>(1,151,548)</u>
Total Net Assets	<u><u>(\$3,275,353)</u></u>	<u><u>(\$2,121,423)</u></u>	<u><u>(\$1,153,930)</u></u>

Total net assets decreased \$1,153,930. The cause of the decrease was the Board's recognition of the need to continue to offer programming that would accelerate learning of underperforming students faster than the traditional single grade level gains. The goal of the Board and management is to grow enrollment to be closer to the 750 student capacity of the facility at which point the school would generate surpluses on an annual basis sufficient to eliminate accumulated deficits. For fiscal 2010, the Academy experienced a setback in enrollment that will delay the school's ability to move past a breakeven position and begin recovering the accumulated deficits. The Academy finished fiscal 2010 with 392 students, a decrease of 92 students from fiscal 2009. However, for the fall of fiscal year 2011, enrollment increased to 416 students. The school's management and administration have been working to contain costs to minimize the impact of the enrollment decline. Based on continued analysis of enrollment data, the Board and its management are committed to following the plan to invest in the future of the children of this community, not based on a plan that is expected to generate short term economic profits, but rather on a plan that is economically sustainable over the long term and that would generate dividends to the community in the form of enhanced opportunities for children and families. Resources for the necessary programs are being made available by delaying payment on invoices from the Academy's management company for certain rent, management services, other operating expenses, and personnel services.



**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)*

Table 2 reflects the changes in net assets for fiscal year 2010 as compared to 2009.

Table 2  
Change in Net Assets

	2010	2009	Change
<u>Operating Revenues:</u>			
Foundation	\$2,391,718	\$3,301,366	(\$909,648)
Charges for Services and Miscellaneous	25,019	124,786	(99,767)
<u>Non-Operating Revenues:</u>			
Federal/State Restricted Grants	1,646,249	1,262,093	384,156
<b>Total Revenues</b>	<b>\$4,062,986</b>	<b>\$4,688,245</b>	<b>(\$625,259)</b>
<u>Operating Expenses:</u>			
Building	1,033,202	1,014,904	18,298
Purchased Services	3,792,595	3,974,441	(181,846)
Depreciation	17,998	54,453	(36,455)
General Supplies	151,572	235,894	(84,322)
Other Operating Expense	40,025	41,313	(1,288)
<u>Non-Operating Expenses:</u>			
Interest	181,524	52,838	128,686
<b>Total Expenses</b>	<b>\$5,216,916</b>	<b>\$5,373,843</b>	<b>(\$156,927)</b>
<b>Total Increase (Decrease) in Net Assets</b>	<b>(\$1,153,930)</b>	<b>(\$685,598)</b>	<b>(\$468,332)</b>

Fiscal year 2010 showed a decrease in revenues primarily due to a decrease in the number of students from a fiscal year end 2009 enrollment of 484 to 392 at fiscal year end 2010.

**Budgeting**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, Ohio Council of Community Schools, does not prescribe a budgetary process for the Academy.

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)*

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2010, the Academy had \$101,979 invested in capital assets (net of accumulated depreciation) for leasehold improvements, computer and other equipment, a decrease of \$17,998. The decrease is due to the depreciation costs for the year. The following table shows fiscal year 2010 compared to 2009:

Capital Assets at June 30 (Net of Depreciation)

	2010	2009	Change
Computer Equipment	\$8,631	\$14,939	(\$6,308)
Leasehold Improvements	49,470	54,627	(5,157)
Furniture & Equipment	43,878	50,411	(6,533)
	\$101,979	\$119,977	(\$17,998)

For further information regarding the Academy's capital assets, refer to Note 6 of the basic financial statements.

Debt

At June 30, 2010, the Academy had \$21,553 in capital leases outstanding, of which \$9,028 is due within one year. In addition, the Academy executed a \$300,000 promissory note in July 2009 payable to Mosaica Education, Inc., a related party (see Note 16), to reimburse Mosaica for organizational and development costs incurred during the Academy's pre-opening stage. The following table summarizes the Academy's debt activity for the year ended June 30, 2010:

	Balance at June 30, 2009	New Borrowings	Principal Payments	Balance at June 30, 2010
Capital leases payable	\$31,490	\$0	(\$9,937)	\$21,553
Promissory Note payable	0	300,000	(33,333)	266,667
Total debt payable	\$31,490	\$300,000	(\$43,270)	\$288,220

For further information regarding the Academy's debt, refer to Note 13 of the basic financial statements.

**Economic Factors**

Management is not currently aware of any facts, decisions or conditions that have occurred that are expected to have a significant effect on the financial position or results of operation.

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2010  
UNAUDITED  
(Continued)*

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**Operations**

Columbus Arts & Technology Academy is a public school established pursuant to Ohio Revised Code Chapter 3314. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

**Requests for Information**

This financial report is designed to provide citizens, taxpayers, investors, 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 any question concerning this report, please contact Brenda Neff, Treasurer for Columbus Arts & Technology Academy, 2255 Kimberly Parkway East, Columbus, Ohio, 43232.

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**COLUMBUS ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2010**

**Assets:**

***Current assets:***

Cash and Cash Equivalents	\$ 27,960
Intergovernmental Receivable	345,913
Prepaid Expense	<u>22,163</u>
<b>Total current assets</b>	<b><u>396,036</u></b>

***Noncurrent assets:***

Capital Assets, net of Accumulated Depreciation	<u>101,979</u>
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<b>Total assets</b>	<b><u>\$ 498,015</u></b>
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**Liabilities:**

***Current liabilities:***

Accounts Payable, Trade	\$ 252,349
Accounts Payable, Related Party	3,223,065
Deferred Revenue	9,583
Accrued Interest	151
Current Portion of Long-term Debt	<u>42,361</u>
<b>Total current liabilities</b>	<b><u>3,527,509</u></b>

***Noncurrent liabilities:***

Noncurrent Portion of Long-term Debt	<u>245,859</u>
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<b>Total liabilities</b>	<b><u>\$ 3,773,368</u></b>
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**Net Assets**

Invested in Capital Assets, Net of Related Debt	80,426
Restricted Net Assets	5,679
Unrestricted Net Assets	<u>(3,361,458)</u>
<b>Total Net Assets</b>	<b><u>\$ (3,275,353)</u></b>

**See Accompanying Notes to the Basic Financial Statements**

**COLUMBUS ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Operating Revenues:</b>	
Community School Foundation	\$ 2,391,718
Charges for Services	25,019
<b>Total Operating Revenues</b>	<u>2,416,737</u>
<b>Operating Expenses:</b>	
Building	1,033,202
Purchased Services	3,792,595
Depreciation	17,998
General Supplies	151,572
Other Operating Expenses	40,025
<b>Total Operating Expenses</b>	<u>5,035,392</u>
<b>Operating Loss</b>	<u>(2,618,655)</u>
<b>Nonoperating Revenues and Expenses:</b>	
Federal and State Restricted Grants	1,646,249
Interest Expense	(181,524)
<b>Net Nonoperating Revenues and Expenses</b>	<u>1,464,725</u>
<b>Change in Net Assets</b>	(1,153,930)
<b>Net Assets (Deficit) Beginning of Year</b>	<u>(2,121,423)</u>
<b>Net Assets (Deficit) End of Year</b>	<u><u>\$ (3,275,353)</u></u>

**See Accompanying Notes to the Basic Financial Statements**

**COLUMBUS ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Foundation Receipts	\$ 2,401,301
Charges for Services	29,066
Cash Payments to Suppliers for Goods and Services	<u>(3,797,495)</u>
Net Cash Used for Operating Activities	<u>(1,367,128)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Short-term Financing Payments	(179,457)
Federal and State Grant Receipts	1,565,391
Note Payable Principal Retirement	<u>(33,333)</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,352,601</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital Lease Interest Payments	(2,135)
Capital Lease Principal Retirement	(9,937)
Net Cash Used for Capital and Related Financing Activities	<u>(12,072)</u>

Net decrease in Cash and Cash Equivalents	(26,599)
Cash and Cash Equivalents - Beginning of the Year	54,559
Cash and Cash Equivalents - Ending of the Year	<u>\$ 27,960</u>

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

Operating Loss	<u>\$ (2,618,655)</u>
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**Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities**

Depreciation	17,998
Changes in assets and liabilities:	
decrease in Receivables	18,220
increase in Prepaid Expense	(83,690)
Decrease in Accounts Payable, Trade	(85,097)
Increase in Accounts Payable, Related Party	1,385,055
Decrease in Accrued Liabilities	(959)
<b>Net Cash Used for Operating Activities</b>	<u><b>\$ (1,367,128)</b></u>

**See Accompanying Notes to the Basic Financial Statements**

The Academy entered into a promissory note agreement with Mosaica Education, Inc. for \$300,000 as part of the updated management agreement that the Academy would pay Mosaica Education, Inc for costs incurred during its start-up in 2004.

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**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**Note 1 - Description of the School**

The Columbus Arts & Technology Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314. The Academy offers education for Ohio children in grades K-8. The Academy is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may lease or acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was originally approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of four academic years commencing after July 1, 2004 and ending June 30, 2008. Subsequently the contract was extended for an additional ten years through June 30, 2018. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

Ohio Revised Code Section 3314.02(E) states in part that the Academy operate under the direction of a Governing Board that consists of not less than five individuals who are not owners or employees, or immediate relatives or owners or employees of any for-profit firm that operates or manages an academy for the Governing Board. The Board is responsible for carrying out the provisions of the contract that include, but are not limited to, state-mandated provision regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. The Academy's Governing Board also serves as the Board for Columbus Preparatory Academy.

The Academy contracts with Mosaica Education, Inc, for management services including management of personnel and human resources, the program of instruction, marketing data management, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts and equipment and facilities. See Note 16 to the financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The entity has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows. The Academy uses a single enterprise presentation for its financial records. Enterprise reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**B. Measurement Focus**

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

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

**C. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from nonexchange transactions, in which Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

**D. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provision set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy and its sponsor, the Ohio Council of Community Schools, does not prescribe a budgetary process for the Academy.

**E. Cash and Cash Equivalents**

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the statement of net assets. The Academy had no investments during the fiscal year ended June 30, 2010.

**F. Prepaid Items**

The Academy records payments made to vendors for services that will benefit periods beyond June 30, 2010, as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed.

**G. Capital Assets**

The Academy's capital assets during fiscal year 2010 consisted of building leasehold improvements, computers and other equipment. All capital assets are capitalized at cost and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand five hundred dollars. The Academy does not have any infrastructure. Building 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.

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

All capital assets are depreciated. Building leasehold improvements are depreciated over the remaining term of the lease. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Useful Lives</u>
Furniture and Equipment	5-20 years
Leasehold Improvements	10 years

**H. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2010, there was \$5,679 of net assets restricted by enabling legislation.

**I. 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.

**J. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**K. Economic Dependency**

The Academy receives approximately 98% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

**Note 3 – Changes in Accounting Principles**

There were no changes in accounting principles implemented during 2010 that would have a material effect on the financial statements.

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 4 - Deposits**

Custodial credit risk is the risk that, in the event of a 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, 2010, the bank balance of Academy's deposits was \$35,846. The bank balance was covered by federal depository insurance. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

**Note 5 – Receivables**

At June 30, 2010, the Academy had intergovernmental receivables in the amount of \$345,913. The receivables are expected to be collected within one year and are comprised as follows:

Grant	Amount
Title I A	\$ 26,790
Title I ARRA	33,739
21st Century	63,414
School Counselor	93,967
SERS Refund	89,082
Title II A	14,414
IDEA	13,492
USDA Child Nutrition Program	8,638
Title IV A	2,377
Total Intergovernmental Receivables	\$ 345,913

**Note 6 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	June 30, 2009	Additions	Deletions	June 30, 2010
Leasehold Improvements-Buildings	68,089	0	0	68,089
Computer Technology	205,558	0	0	205,558
Furniture & Equipment	65,322	0	0	65,322
Total at Historical Cost	338,969	0	0	338,969
Less: Accumulated Depreciation				
Leashold Improvements	(13,462)	(5,157)		(18,619)
Computer Technology	(190,619)	(6,309)		(196,928)
Furniture & Equipment	(14,911)	(6,532)		(21,443)
Capital Assets, Net	\$119,977	(\$17,998)	\$0	\$101,979

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 7 - Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the Academy contracted with Pashley Insurance Agency to provide insurance coverage with the Hartford Casualty Insurance Company. The types and amounts of coverage provided are as follows:

General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	2,000,000
Products - Completed Operations Aggregate Limit	2,000,000
Medical Expense Limit - Any One Person/Occurrence	15,000
Damage to Rented Premises - Each Occurrence	500,000
Personal and Advertising Injury	1,000,000
Automobile Liability:	
Combined Single Limit	1,000,000
Buildings	6,527,900
Business Personal Property	850,900
Excess/Umbrella Liability:	
Each Occurrence	8,000,000
Aggregate Limit	8,000,000

Settled claims have not exceeded this commercial coverage in any prior years and there have been no significant reductions in insurance coverage from the prior year.

**Note 8 – Purchased Services**

For the period July 1, 2009 through June 30, 2010, purchased service expenses were as follows:

Purchased Service	Amount
Personnel Services	\$2,338,183
Staff and Administrative Services	902,134
Food Service	174,921
Student Services	142,816
Building Services	137,653
Sponsor Services	48,088
Professional Services	34,349
Advertising	14,451
Total	\$3,792,595

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 9 – Defined Benefit Pension Plans**

The Academy has contracted with Mosaica Education, Inc. to provide employee services. However, these contracted services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the Academy is ultimately responsible for remitting retirement contributions to each of the systems noted below.

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer 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 43215-3746.

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 2010, 12.74 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 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 to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$33,295, \$33,762 and \$38,176, respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**B. State Teachers Retirement System**

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

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'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.

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 9 – Defined Benefit Pension Plans (Continued)**

**B. State Teachers Retirement System (Continued)**

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 the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 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, 2010, 2009, and 2008 were \$192,792, \$185,612 and \$199,322, respectively; 100 percent has been contributed for the fiscal year 2010, and 100 percent for fiscal years 2009 and 2008.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. The contribution rate is 6.2 percent of wages. As of June 30, 2010, none of the Academy staff have elected Social Security.

**Note 10 – Postemployment Benefits**

**A. School Employees Retirement System**

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. 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.

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 10 – Postemployment Benefits (Continued)**

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 401h. For 2010, 0.5 percent of covered payroll was allocated to health care.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$1,307, \$15,407 and \$17,421, respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, 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, 2010, 2009 and 2008 were \$1,986, \$2,433 and \$2,751 respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent has been contributed for fiscal years 2009 and 2008.

**B. State Teachers Retirement System**

Plan Description – The Academy contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) 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 2010, 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, 2010, 2009 and 2008 were \$14,830, \$14,278 and \$15,333, respectively; 100 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Note 11 - Contingencies**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.



**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 11 – Contingencies (Continued)**

**B. 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 community schools. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. Based on this review for the 2009-2010 school year, it was determined that the Academy was over funded by \$9,583. This adjustment will be deducted from future state foundation funding and is included as a contra-intergovernmental receivable at June 30, 2010 (see Note 5).

**Note 12 – Building Leases**

The Academy has entered into a lease for the period from July 1, 2004 through November 30, 2019 with ECE Company, LLC a wholly owned subsidiary of Mosaica Education, Inc., a related party (see Note 16), for the use of the main building and grounds as a school facility. Rent charges and allowable facility costs passed through totaled \$1,033,202 for the fiscal year. Under the lease agreement, the Academy is responsible for paying all utilities, maintenance and repairs, and applicable property taxes. The following summarizes the occupancy costs for the Academy:

Base rent	\$ 832,576
Property taxes	<u>200,626</u>
 Total occupancy costs	 \$ <u>1,033,202</u>

Property taxes are accrued but remain unpaid. The owner / landlord has filed for property tax exemption under Ohio Revised Code 5709.07 and 3314.08. The application was pending at June 30, 2010. However, there is a case pending in the Ohio State Supreme Court to overturn the property tax exemption for public schools that pay rent to for-profit landlords (see Note 19). As of June 30, 2010, accrued property taxes total \$899,958.

There are scheduled inflationary rent adjustments (lesser of 5% or CPI factor) effective December 1<sup>st</sup> once every two years. The lease also stipulates that renovation investments in the building by the owner will cause rent to increase by an annual factor of 9.25% - 10.0% of the investment. During fiscal 2010, the owner invested no funds into the property.

The following is a schedule of the future minimum payments, excluding allowable facility cost passthroughs, required under the operating lease as of June 30, 2010:

Fiscal Year Ending June 30	Amount
2011	861,622
2012	879,064
2013	903,483
2014	920,924
2015	945,343
2016-2020	<u>4,419,739</u>
Total minimum lease payments	<u><u>\$8,930,175</u></u>

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

**Note 13 – Long-Term Obligations**

Changes in the Academy's long-term obligations during fiscal year 2010 were as follows:

	Balance 6/30/2009	Additions	Reductions	Balance 6/30/2010	Amount Due Within One Year
Capital Leases Payable	\$ 31,490	\$ -	\$ (9,937)	\$ 21,553	\$ 9,028
Promissory Note	-	300,000	(33,333)	266,667	33,333
<b>Total Debt Obligations</b>	<b>\$ 31,490</b>	<b>\$ 300,000</b>	<b>\$ (43,270)</b>	<b>\$ 288,220</b>	<b>\$ 42,361</b>

In July 2009, the Academy executed a non-interest bearing \$300,000 promissory note payable to Mosaica Education, Inc., a related party (see Note 16), to reimburse Mosaica for organizational and development costs incurred during the pre-opening stage of the Academy. The note is payable in equal monthly installments of \$2,778 with a final installment due June 15, 2018.

**Note 14 – Capital Lease-Lessee Disclosure**

The Academy has entered into capitalized leases for the use of computer equipment and furniture. Each lease meets the criteria of 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 risk of ownership to the lessee.

The following is a schedule of the future minimum lease payments required under the capital leases as of June 30, 2010.

Capital Lease		
Fiscal Year Ending June 30	Principal	Interest
2011	\$9,028	\$1,440
2012	\$7,715	\$767
2013	\$4,810	\$137
Total	<u>\$21,553</u>	<u>\$2,344</u>

**Note 15 – Tax Exempt Status.**

The Academy has filed for its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

**Note 16 – Related Party Transactions/Management Company**

The Academy contracts with Mosaica Education, Inc. for variety of services including management of personnel and human resources, board relations, financial management, marketing, technology services, the program of instruction, purchasing, strategic planning, public relations, financial reporting, recruiting, compliance issues, budgets, contracts, and equipment and facilities. Financial management services include, but are not limited to, financial statements, budget preparation, accounts payable, and payroll preparation.

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2010  
(Continued)**

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**Note 16 – Related Party Transactions/Management Company (Continued)**

Per the management agreement with the Academy, Mosaica Education, Inc. is entitled to a management fee that is equivalent to 12.5% of Academy revenue. The management fee for fiscal year 2010 was \$468,353.

Also, per the management agreement there are expenses that will be billed to the academy based on the actual cost incurred for the Academy by Mosaica Education, Inc. These expenses include rent, salaries, of Mosaica Education, Inc employees working at the Academy, and other costs related to providing educational and administration services. The total expenses paid by Mosaica Education Inc. during fiscal year 2010 were \$2,045,375.

At June 30, 2010, the Academy had payables to Mosaica Education, Inc. in the amount of \$3,223,065. The following is a schedule of payables owed to Mosaica Education, Inc.

	<u>Amount</u>
Building Rent and Tax Passthrough	\$ 1,594,823
Payroll	841,725
Management Fee	643,292
Interest/Finance Charges	119,516
Miscellaneous	<u>23,709</u>
Total June 30, 2010	<u>\$ 3,223,065</u>

**Note 17 – Sponsor**

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) through June 30, 2018. As part of this contract, the Sponsor is entitled to a maximum of 2% of state foundation and other state aid. Total amount due and paid for fiscal year 2010 was \$48,088.

**Note 18 – Management’s Plan**

For fiscal year 2010, the Academy had an operating loss of \$2,618,655, a decrease in net assets of \$1,153,930, and net asset deficit of \$3,275,353. Projected revenues and expenses for fiscal year 2011 indicate these financial difficulties will continue during next fiscal year. As of January 31, 2011, the Academy’s change in net assets was (\$1,542,368) and net asset deficit of (\$3,663,791).

Final full-time equivalents student enrollment was 392 and 484 students for the fiscal years ending June 30, 2010 and 2009, respectively. Current full-time equivalent student enrollment as of January 2011 was 382 students. The current capacity for full time student enrollment is 750.

Management plans to continue its efforts to increase enrollment through active advertising via print, radio, mailings and through referrals of current parents which will help reduce future deficits and operating losses.

**Note 19 – Subsequent Events**

In October 2010, the Ohio State Supreme Court ruled that not-for-profit schools receiving public funds that enter into facility leases with for-profit lessors are not exempt from property taxes. The result of this decision may cause the Academy to have to remit all current and prior years taxes. The Academy is fully reserved for all potential property tax liability (see Note 12).

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**COLUMBUS ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b><u>United States Department of Agriculture</u></b> <b><i>Passed Through Ohio Department of Education</i></b>			
Nutrition Cluster:			
Federal School Breakfast Program	10.553	\$ 58,726	\$ 58,726
National School Lunch Program	10.555	<u>163,521</u>	<u>163,521</u>
Total U.S. Department of Agriculture-Nutrition Cluster		<u>222,247</u>	<u>222,247</u>
<b><u>United States Department of Education</u></b> <b><i>Passed Through Ohio Department of Education</i></b>			
Title I Grants to Local Educational Agencies	84.010	365,514	399,751
ARRA- Title I Grants to Local Educational Agencies	84.389	<u>88,173</u>	<u>108,333</u>
Total Title I Grants Cluster		453,687	508,084
Special Education Grants to States	84.027	111,659	129,225
ARRA- Special Education Grants to States	84.391	<u>52,967</u>	<u>29,394</u>
Total Special Education Grants to States Cluster		164,626	158,619
Safe and Drug Free School and Communities State Grants	84.186	5,433	3,197
21st Century Grant	84.287	125,258	170,082
Education Technology State Grants	84.318	5,512	2,599
Improving Teacher Quality State Grants	84.367	2,484	16,908
School Improvement Grant	84.377	16,454	16,287
ARRA- State Fiscal Stabilization Fund	84.394	165,146	165,146
<i>Total Passed Through Ohio Department of Education</i>		<u>938,600</u>	<u>1,040,922</u>
<b><i>Direct</i></b>			
School Counselor Grant	84.215E	350,391	354,498
Total United States Department of Education		<u>1,288,991</u>	<u>1,395,420</u>
<b>TOTAL FEDERAL AWARDS</b>		<u><u>\$ 1,511,238</u></u>	<u><u>\$ 1,617,667</u></u>

*The accompanying notes are an integral part of this schedule.*

**COLUMBUS ARTS & TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



# Dave Yost • Auditor of State

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

Columbus Arts and Technology Academy  
Franklin County  
2255 Kimberly Parkway East  
Columbus, Ohio 43232

To the Board of Directors:

We have audited the financial statements of Columbus Arts and Technology Academy, Franklin County, Ohio, (the Academy) as of and for the year ended June 30, 2010, and have issued our report thereon dated March 2, 2011, wherein we noted matters which raise substantial doubt about the Academy's ability to continue as a going concern. 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 Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### 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, 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*.

We did note certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 2, 2011.

We intend this report solely for the information and use of management, the audit committee, Board of Directors, the Ohio Council of Community Schools, federal awarding agencies and pass-through entities, and others within the Academy. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 2, 2011





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Columbus Arts and Technology Academy  
Franklin County  
2255 Kimberly Parkway East  
Columbus, Ohio 43232

To the Board of Directors:

### Compliance

We have audited the compliance of Columbus Arts and Technology Academy (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Columbus Arts and Technology Academy's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal programs. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Columbus Arts and Technology Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance.

Accordingly, we have not opined on the effectiveness of the Academy's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, Board of Directors, the Ohio Council of Community Schools, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 2, 2011

**COLUMBUS ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	CFDA #84.010 AND #84.389 - Title I Grants to Local Education Agencies Cluster CFDA #84.215E - School Counselor Grant
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**COLUMBUS ARTS AND TECHNOLOGY ACADEMY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Title I-Activities Allowed and Allowable Costs/Cost Principles	Yes	N/A
2009-002	Board of Director's Oversight of Federal Funds	No	Reissued in the Management Letter



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS REPORT ON APPLYING AGREED-UPON PROCEDURES

Columbus Arts and Technology Academy  
Franklin County  
2255 Kimberly Parkway East  
Columbus, OH 43232

To the Board of Directors:

Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Columbus Arts and Technology Academy (the Academy) has adopted an anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on October 18, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
  - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;

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- (7) A procedure for responding to and investigating any reported incident;
  - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
  - (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
3. We read the policy, noting it did not include the following requirement from Ohio Rev. Code Section 3313.666 (B):
- (1) A requirement that the Academy administration semiannually provide the president of the board of Directors a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

**Official's Response:**

The Board has developed the appropriate policy language and is planning to adopt the updated policy at the next regular Board meeting.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and the Ohio Council of Community Schools and is not intended to be and should not be used by anyone other than these specified parties.



**Dave Yost**  
Auditor of State

March 2, 2011



# Dave Yost • Auditor of State

**COLUMBUS ARTS AND TECHNOLOGY 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  
MARCH 24, 2011**