



Dave Yost • Auditor of State

NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets.....	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Independent Accountants' Report on Applying Agreed Upon Procedures.....	25

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Noble Academy-Columbus
Franklin County
1329 Bethel Road
Columbus, Ohio 43220

To the Board:

We have audited the accompanying basic financial statements of Noble Academy - Columbus, Franklin County, Ohio (the School), as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Noble Academy - Columbus, Franklin County, Ohio, as of June 30, 2011, and the respective changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School is experiencing certain financial difficulties. Those difficulties and Management's Plans are discussed in Note 15.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2012, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 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.

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

Dave Yost
Auditor of State

February 17, 2012

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The discussion and analysis of Noble Academy- Columbus, Inc.’s (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2011. Readers should also review the financial statements and notes to enhance their understanding of the School’s financial performance.

Financial Highlights:

Key financial highlights for fiscal year 2011 are as follows:

- Total net assets decreased by \$59,873 from \$204,094 to \$144,221
- The School had total operating revenues of \$1,145,425
- The School had total operating expenses of \$1,730,198
- The current liabilities decreased by \$2,914
- The School received Federal and State Grants total of \$416,180

In the fiscal year 2011 the School recorded a loss of \$59,873 due to the low enrollment. In fiscal year 2011 although the School increased its enrollment from 154 to 190, it was not sufficient enough to have an equal budget. The School’s targeted enrollment is 220 students. The School started 2011 – 2012 school year with an enrollment of 210 students. The School’s administration does not predict any losses in the future.

The School also received a total of \$409,613 from Federal Grants. \$117,741 of this was from SFSF (State Fiscal Stabilization Fund), ARRA Title (American Recovery and Reinvestment Act) fund, and Educational Jobs Fund. SFSF funds were included in the School’s foundation payments whereas ARRA Title Grants were allocated with the other Title Grants. Both funds were one time allocations for 2010 and 2011 fiscal years. Educational Jobs fund will also be available in FY 2012.

Using this Financial Report:

This annual report consists of three parts; Management’s Discussion and Analysis, the Financial Statements and Notes to the Financial Statements. The Financial Statements part includes a *Statement of Net Assets*, a *Statement of Revenues, Expenses and Changes in Net Assets*, and a *Statement of Cash Flows*.

The Statement of Net Assets:

The *Statement of Net Assets* shows how the School performed financially during the fiscal year. This statement includes all assets and liabilities using the accrual basis of accounting which is similar to the accounting method used by most private-sector companies. The basis of accounting takes into account all revenues earned and expenses incurred during the fiscal year regardless of when cash is received or paid.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The following table provides a comparison of the School’s Net Assets in fiscal years 2010 and 2011.

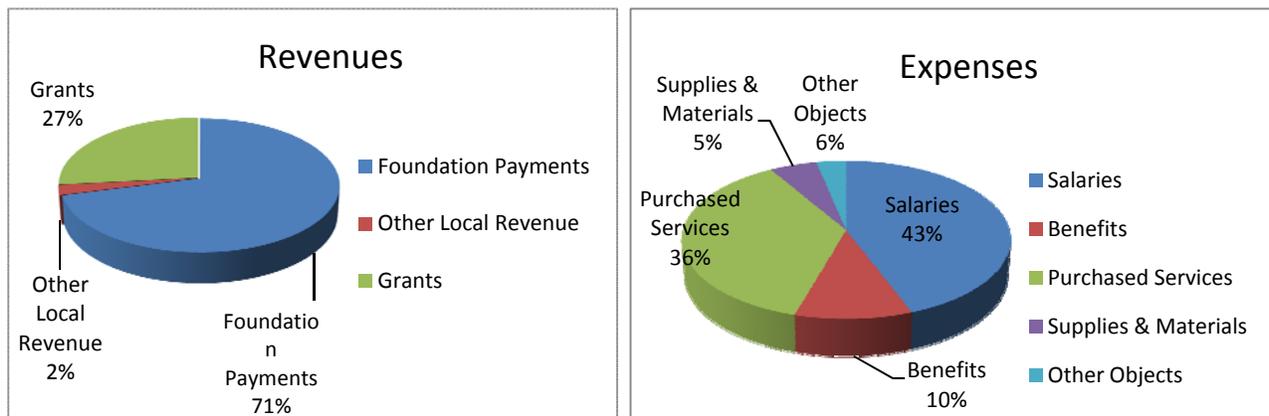
	<u>June 30, 2010</u>	<u>June 30, 2011</u>
ASSETS		
Cash	12,262	4,962
Other Assets	36,821	42,702
Capital Assets	248,336	186,968
Total Assets	\$ 297,419	\$ 234,632
LIABILITIES		
Current Liabilities	93,325	90,411
Total Liabilities	\$ 93,325	\$ 90,411
NET ASSETS		
Investment in Capital Assets	248,336	186,968
Unrestricted	(44,242)	(42,747)
Total Net Assets	\$ 204,094	\$ 144,221

Other assets in fiscal year 2011 include Intergovernmental Receivables from the State due to Federal Grants, and a \$10,670 security deposit to the landlord for lease agreement. The decrease of \$61,368 in capital assets is the result of depreciation outpacing current year asset additions.

93% of the current liabilities are accrued wages and intergovernmental payable and the rest is accounts payable.

The Statement of Revenues, Expenses and Changes in Net Assets:

The Statement of Revenues, Expenses and Changes in Net Assets shows the operating and non-operating activities that took place during the fiscal year. The following charts and table are a summary of the Statement of Revenues, Expenses and Changes in Net Assets for the fiscal year ended June 30, 2011.



**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

The Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years 2011 and 2010.

	<u>June 30, 2010</u>	<u>June 30, 2011</u>
<u>Operational Income/Expense</u>		
Income		
Foundation Payments	918,053	1,108,298
Food Services	4,284	8,135
Extracurricular Activities	845	1,358
Other Local Revenue	57,459	27,634
Total Operational Income	980,641	1,145,425
Expense		
Salaries	678,602	737,343
Benefits	137,555	171,831
Purchased Services	478,883	616,677
Supplies & Materials	95,210	87,567
Other Objects	42,321	54,914
Depreciation Expense	65,443	61,866
Total Operational Expense	1,498,014	1,730,198
Net Operational Income	(517,373)	(584,773)
<u>Non-Operational Income/Expense</u>		
Federal Grants	343,999	409,613
State Grants	8,637	6,567
Management Fee Forgiveness	78,416	108,720
Net Non-Operational Income	431,052	524,900
<u>Net Assets</u>		
Change in Net Assets	(86,321)	(59,873)
Net Assets at Beginning of Year	290,415	204,094
Net Assets at End of Year	<u>\$ 204,094</u>	<u>\$ 144,221</u>

The 21% increase in foundation revenues is due to enrollment increase from 154 to 190. Other local revenues are higher in FY 2010 due to some one time refunds from previous year’s expenditures. Also, the 29% increase in purchased services is because of the increase in enrollment which resulted in increased management fees. In fiscal year 2011, the School paid \$35,000 of management fees; remaining fees of \$108,720 have been forgiven by the School’s Management Company.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Capital Assets:

As of June 30, 2011, Noble Academy- Columbus had \$186,968 invested in capital assets such as office equipment, school furniture, computers and surveillance system, net of depreciation. During the fiscal year the School sold two vehicles it owned to Horizon Science Academy Columbus Middle School at the book value which was \$4,550. The following table is a summary of Capital Assets as of June 30, 2011.

Capital Assets				
	Balance			Ending
	July 1, 2010	Additions	Deletions	June 30, 2011
Equipment- Instructional	267,783	5,048	(3,144)	269,687
Equipment- Office	10,850	0	(6,009)	4,841
School Vehicles	13,000	0	(7,000)	6,000
Improvements	41,500	0	0	41,500
Total Fixed Assets	\$ 333,133	5,048	(16,153)	\$ 322,028
Less: Accumulated Depreciation	(84,797)	(61,866)	11,603	(135,060)
Net Fixed Assets	\$ 248,336	(56,818)	(4,550)	\$ 186,968

Debt:

The School has no debt outstanding at June 30, 2011. The School entered into a \$60,000 loan from Concept Schools during the year which was paid in full by fiscal year end.

Contacting the School’s Financial Management:

This financial report is designed to provide citizens, grantors and potential creditors 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 Ryan Uysaler, Treasurer by mail at Concept Schools South Ohio Regional Office, 2356 Morse Rd. Columbus, OH 43235 or by phone at 614- 428-7656.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**Statement of Net Assets
For the Fiscal Year Ended June 30, 2011**

	<u>June 30, 2011</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	4,962
Intergovernmental Receivable	32,032
Total Current Assets	36,994
Non-Current Assets	
Security Deposit	10,670
Capital Assets (Net of Accumulated Depreciation)	186,968
Total Non-Current Assets	197,638
Total Assets	234,632
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	6,667
Accrued Wages	68,996
Intergovernmental Payable	14,748
Total Liabilities	90,411
NET ASSETS	
Investment in Capital Assets	186,968
Unrestricted	(42,747)
Total Net Assets	\$ 144,221

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**Statement of Revenues, Expenses
and Change in Net Assets
For the Fiscal Year Ended June 30, 2011**

	<u>June 30, 2011</u>
<u>Operational Income/Expense</u>	
Income	
Foundation Payments	1,108,298
Food Services	8,135
Extracurricular Activities	1,358
Other Local Revenue	<u>27,634</u>
Total Operational Income	1,145,425
Expense	
Salaries	737,343
Benefits	171,831
Purchased Services	616,677
Supplies & Materials	87,567
Other Objects	54,914
Depreciation Expense	<u>61,866</u>
Total Operational Expense	1,730,198
Net Operational Loss	<u>(584,773)</u>
<u>Non-Operational Income/Expense</u>	
Federal Grants	409,613
State Grants	6,567
Management Fee Forgiveness	<u>108,720</u>
Net Non-Operational Income	524,900
<u>Net Assets</u>	
Change in Net Assets	(59,873)
Net Assets at Beginning of Year	<u>204,094</u>
Net Assets at End of Year	<u>\$ 144,221</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENT

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**Statement of Cash Flows
For Fiscal Year Ended June 30, 2011**

	<u>June 30, 2011</u>
Cash Flows from Operating Activities	
Cash Received from State of Ohio	1,108,298
Cash Received from Other Operating Revenues	37,127
Cash Payments to Suppliers for Goods and Services	(600,004)
Cash Payments to Employees for Services	(722,075)
Cash Payments for Employee Benefits	(185,533)
Other Cash Payments	(54,914)
Net Cash Used by for Operating Activities	(417,101)
Cash Flows from Noncapital Financial Activities	
Grants Received from Federal Government	403,732
Grants Received from State	6,567
Loan from Concept Schools	60,000
Loan Payment to Concept Schools	(60,000)
Net Cash Provided by Noncapital Financial Activities:	410,299
Cash Flows from Capital and Related Activities	
Payments for Capital Acquisitions	(5,048)
Proceeds from Sale of Assets	4,550
Net Cash Used by Capital and Related Activities	(498)
Net Decrease in Cash and Cash Equivalents	(7,300)
Cash and Cash Equivalents at Beginning of Year	12,262
Cash and Cash Equivalents at End of Year	\$ 4,962

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**Statement of Cash Flows
For Fiscal Year Ended June 30, 2011
(Continued)**

**Reconciliation of Operating Income to Net Cash
Provided for Operating Activities:**

Operating Loss	\$ (584,773)
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**Adjustments to Reconcile Operating Loss to Net Cash
Used by Operating Activities**

Depreciation	61,866
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Changes in Assets and Liabilities

Decrease in Accounts Payable	(4,480)
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Decrease in Intergovernmental Payable	(13,702)
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Increase in Wages Payable	15,268
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Increase in Management Fee Expenses Forgiven	108,720
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Total Adjustments	167,672
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Net Cash Used for Operating Activities	\$ (417,101)
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Non-Cash Capital Financing Activity

Management Fee Forgiveness	\$ 108,720
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Noble Academy- Columbus, Inc. (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through twelve in Columbus. The School, which is part of the State's education program, is independent of any School 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 has been approved as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

The School was approved for operation under contract with the Buckeye Hope Foundation (the Sponsor) for a period of five years commencing March 15, 2006. In May 2010, the contract was extended for another five years until June 30, 2015.

The School operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. In fiscal year 2011, the School employed 24 personnel for up to 190 students.

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 governmental nonprofit organizations. 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 (FASB) 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 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 report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its 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. 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 provides information about how the School meets the cash flow needs of its enterprise activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The full accrual basis of accounting is used for reporting purposes. 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. Revenues 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. Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike traditional public schools in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705; rather community schools are required to create a Five Year Budget Forecast that is approved by the School Board and submitted to ODE and to the School's Sponsor. The contract between the School and its Sponsor does not prescribe any other budgetary process for the School.

D. Cash

To improve cash management, all cash received by the School is pooled in a central bank account. Total cash amount at the end of the fiscal year is presented as "Cash" in the Statement of Net Assets.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets and Depreciation

Capital assets 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 values as of the date received. The School maintained a capitalization threshold of \$1,000 for inventory assets and \$10,000 for fixtures and improvements. 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 are capitalized.

All capital assets are depreciated. Furniture, computers, office equipment, and vehicles are depreciated using the straight-line method over the following estimated useful lives. Improvements to capital assets are depreciated using the straight-line method over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

	<u>Useful Life</u>
Improvements	3 to 10 years
Heavy Duty Office or Classroom Furniture	10 years
Computers and Other Electronic Equipment	3 to 5 years
Vehicles	3 to 10 years

F. Intergovernmental Revenues

In FY 2011, the School participated in the State Foundation Program and Special Education Program. Revenues received from these and other State programs are recognized as operating revenues. Amounts awarded under these programs in the fiscal year 2011 totaled \$1,108,298. The School also participates in Federal Title Grant Programs, Federal Breakfast and Lunch Programs, and other State Grant Programs. Revenues from those grant programs are recognized as non-operating revenues.

G. 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.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

The School's policy indicates that all full time employees are entitled to eight days of sick/personal leave in a school year. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year. At the end of the year employees are awarded \$125 per each unused sick/personal day.

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. At the end of the fiscal year ended June 30, 2011, the School did not have any restricted net assets.

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.

3. DEPOSITS AND INVESTMENTS

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. The School does have an Investment policy to minimize custodial credit risk by limiting investments, pre-qualifying financial institutions, and diversifying the investments. At June 30, 2011, the carrying book balance of the School's bank account at Chase Bank was \$4,962 and the actual Bank balances were \$34,634. The bank balance was insured by FDIC up to \$250,000, based on criteria described in GASB No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2011. The School had no investments at June 30, 2011 or during the fiscal year, and thus had no amounts exposed to custodial credit risk.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

Capital Assets				
	Balance			Ending
	July 1, 2010	Additions	Deletions	June 30, 2011
Equipment- Instructional	267,783	5,048	(3,144)	269,687
Equipment- Office	10,850	0	(6,009)	4,841
School Vehicles	13,000	0	(7,000)	6,000
Improvements	41,500	0		41,500
Total Fixed Assets	\$ 333,133	5,048	(16,153)	\$ 322,028
Less: Accumulated Depreciation	(84,797)	(61,866)	11,603	(135,060)
Net Fixed Assets	\$ 248,336	(56,818)	(4,550)	\$ 186,968

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School 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 % of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 % 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 2011, 12.78 % 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 % for plan members and 14 % for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$4,502, \$3,813, and \$959, respectively; 63 percent has been contributed for fiscal year 2011 and 100 percent was contributed for previous fiscal years.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description – The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 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, 2011, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14 %; 13 % was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 % for members and 14 % for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 were \$97,163, \$89,055, and \$53,596, respectively; 100 percent has been contributed for all three fiscal years.

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 Employees Retirement System. As of June 30, 2011, none of the members of the Board have elected Social Security.

6. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's 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 SERS 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 Street, Suite 100, Columbus, Ohio 43215-3746.

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 % 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 2011, 1.43% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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 School's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$460, \$125, and \$285, respectively; 100 percent has been contributed for all three fiscal years.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

6. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employees Retirement System (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2011, this actuarially required allocation was 0.76 % of covered payroll. The School's contribution for Medicare Part B for the fiscal years ended June 30, 2011 was \$244; 63 % has been contributed for the fiscal year.

B. State Teachers Retirement System

Plan Description – The School 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 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 2011, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School's contribution for health care for the fiscal years ended June 30, 2011 was \$6,940; 100 % has been contributed for the fiscal year.

7. RISK MANAGEMENT

The School 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 2011, the School contracted with Selective Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate with no deductible. The School did not make any claims in the fiscal year. There have been no significant reductions in coverage from the prior year. Settlements did not exceed insurance coverage for any of the past 3 fiscal years.

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

According to the School Policy, the School is required to provide Medical and Dental Insurance to all its full time employees. 60% of the monthly premiums for Medical and Dental coverage are to be paid by the School while the remaining 40% are to be deducted from employee's wages.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2011 were as follows:

Purchased Services	
Type	Amount
Professional Services	229,205
Rent and Property Services	292,941
Advertising and Communications	8,618
Pupil Transportation	11,885
Staff Travel Expenses	1,824
Contracted Food Services	61,141
Extra-Curricular Activities	11,063
Total	\$ 616,677

10. OPERATING LEASES

On July 1, 2009, the School entered into a five year lease agreement with B & A Realty for the three buildings at 1329 Bethel Road to expire June 30, 2014. The contracted monthly rent was \$15,916 with an annual increase of 2%. Upon the execution of the agreement, the School paid a security deposit of \$10,760. In the fiscal year 2011, the School paid a total of \$195,347. Required lease payments for the following three years will be as follows;

July 2011 – June 2012	\$198,704
July 2012 – June 2013	\$202,678
July 2013 – June 2014	\$206,732

11. CONTINGENCIES

A. Grants

In fiscal year 2011, the School received Federal and State grants in total of \$416,180. 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 for 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 Noble Academy- Columbus at June 30, 2011.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

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 the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. According to the FTE review made for fiscal year 2011, the School has been overpaid by \$1,428. This adjustment for FTE does not have a material effect on the financial statements presented and is not included.

12. NOTE PAYABLE / RELATED PARTY

In November 2010, with the approval of the School Board, the School received a loan of \$60,000 from Concept Schools, the management company, to help cover operating expenses. The loan was interest free and paid off by May 2011.

13. SPONSORSHIP AGREEMENT

On May 6, 2010, the School renewed its sponsorship agreement with Buckeye Hope Foundation for five years. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. According to the contract agreed by both parties, the School pays 3% of its foundation revenues to the Sponsor. In fiscal year 2011, the schools compensation to the Sponsor occurred as \$33,012.

14. MANAGEMENT COMPANY AGREEMENT

The School contracted with Concepts Schools, Inc. on March 15, 2006 to serve as the School's Management Company. The contract is renewed automatically every year in one year terms unless the school or the management company decides otherwise. According to the contract, the school transfers 12% of the funds received from State. The total management fees incurred during the fiscal year was \$144,045. During the year the School paid only \$35,000 and the remaining fees were forgiven by Concept Schools.

**NOBLE ACADEMY – COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011
(Continued)**

15. MANAGEMENT’S PLAN

In fiscal year ended June 30, 2011 the School had an operating loss of \$584,773 and a net loss of \$59,873 which decreased the School’s net assets to \$144,221. In order to achieve financial stability the school increased its enrollment from 190 to 210 in 2011–2012 school year. Also upon the passage of HB 153, the School is in the process of filing its application for exemption from property taxes which is around \$5,000 monthly.

16. CHANGE IN ACCOUNTING PRINCIPLE

The School has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” The implementation of this statement did not result in any changes in the School’s financial statements.

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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*

Noble Academy-Columbus
Franklin County
1329 Bethel Road
Columbus, Ohio 43220

To the Board:

We have audited the financial statements of Noble Academy - Columbus, Franklin County, Ohio (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated February 17, 2012, wherein we noted the School is experiencing certain financial difficulties. 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 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 School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School'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 School'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 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*.

We did note a certain matter not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 17, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board, and the School's sponsor (the Buckeye Community Hope Foundation). We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

February 17, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Noble Academy – Columbus
Franklin County
1329 Bethel Road
Columbus, Ohio 43220

To the Board:

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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Noble Academy – Columbus, Franklin County, Ohio (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the School did not amend its anti-harassment policy as of June 30, 2011, but subsequently amended its anti-harassment policy at its meeting on October 12, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the School to amend its definition by September 28, 2010.

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 management, the Board of Directors, the audit committee, and the School's Sponsor (Buckeye Community Hope Foundation) and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 17, 2012

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199

www.auditor.state.oh.us

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Dave Yost • Auditor of State

NOBLE 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 20, 2012**