

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2011**



**Dave Yost • Auditor of State**



**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
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
Federal Awards Revenues and Expenses Schedule.....	23
Notes to the Federal Awards Revenues and Expenses Schedule .....	24
Independent Accountants' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	25
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	27
Schedule of Findings.....	29
Schedule of Prior Audit Findings.....	30
Independent Accountant's Report on Applying Agreed-Upon Procedures.....	31

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

The Charles School at Ohio Dominican University  
Franklin County  
1270 Brentnell Avenue  
Columbus, Ohio 43219

To the Board:

We have audited the accompanying basic financial statements of The Charles School at Ohio Dominican University, 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 The Charles School at Ohio Dominican University, Franklin County, Ohio, as of and for the year ended June 30, 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 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* 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 School's basic financial statements taken as a whole. The federal awards revenues and expenses 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 revenues and expenses 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

February 10, 2012

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

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

Our discussion and analysis of The Charles School at Ohio Dominican University (TCS) financial performance provides an overall review of TCS' financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at TCS' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the TCS' financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

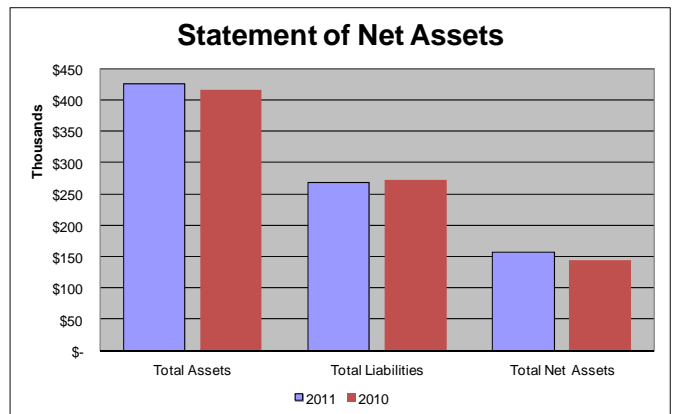
Key financial highlights for fiscal year 2011 are as follows:

- In total, net assets increased \$13,185 which represents a 9.1 percent increase from 2010. This increase is due to an increase in revenues due to increased enrollment.
- Total assets increased \$ 9,556 which represents a 2.3 percent increase from 2010. This was primarily due to an increase in capital assets and cash from the previous year.
- Liabilities decreased \$3,629 which represents a 1.3 percent decrease from 2010. The decrease in liabilities is primarily due to decreases in deferred revenue, intergovernmental payables, and accounts payable from the previous year.

**USING THIS ANNUAL REPORT**

This report consists of three parts, the MD&A, the basic financial statements, and notes to the basic financial statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Change in Net Assets reflect how TCS did financially during fiscal year 2011. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.



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

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

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

**Statement of Net Assets**

The Statement of Net Assets answers the question of how TCS did financially during 2011. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1, below, is a summary of TCS' net assets for fiscal year 2011 and 2010.

(Table 1)  
**Statement of Net Assets**

	2011	2010
<b>Assets</b>		
Current Assets	\$ 288,362	\$ 226,884
Capital Assets, Net	137,319	189,241
Total Assets	\$ 425,681	\$ 416,125
<b>Liabilities</b>		
Current Liabilities	\$ 268,387	\$ 272,016
<b>Net Assets</b>		
Investment in Capital Assets	\$ 137,319	\$ 189,241
Unrestricted	19,975	(45,132)
Total Net Assets	\$ 157,294	\$ 144,109

Total assets were \$425,681, an increase of 2.3% from the prior year due to an increase in cash and capital asset additions, while total liabilities decreased 1.3% to \$268,387 as a result of decreased deferred revenue due to a majority of the Middle College grant award being earned and not deferred in the current period. Cash and cash equivalents were \$165,519 and capital assets, at net, were \$137,319. Intergovernmental receivables, a current asset, totaled \$121,895. Accounts receivable are \$948.

**Statement of Revenues, Expenses and Change in Fund Net Assets**

Table 2, below, demonstrates the changes in net assets for fiscal year 2011 and 2010, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for TCS as a whole, the financial position of TCS has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.



**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

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

(Table 2)  
**Change in Net Assets**

	2011	2010
<b>Operating Revenues</b>		
State Aid	\$1,755,296	\$ 1,475,228
Food Service	4,293	7,653
Classroom Fees	15,411	3,990
Other Operating	58,216	5,286
<b>Non-Operating Revenue</b>		
Federal Grants	749,942	523,450
State Grants	7,029	6,083
Contributions & Donations	72,289	240,842
Investment Income	224	414
Total Revenues	2,662,700	1,595,267
<b>Operating Expenses</b>		
Purchased Services: Management Fees	1,862,347	1,548,220
Purchased Services: Rent and Property Services	117,736	116,532
Purchased Services: Professional Services	180,936	142,173
Purchased Services: Food Services	84,240	67,672
Purchased Services: Professional Development	18,667	24,456
Purchased Services: Tuition Payments to University	102,556	-
Purchased Services: Other	85,949	91,191
Materials and Supplies	107,935	66,700
Depreciation	53,358	40,143
Other	35,791	34,388
Total Expenses	2,649,515	1,592,439
Change in Net Assets	\$ 13,185	\$ 2,828

Operating revenues were \$1,833,216, which represents 69% of total revenue. Total Revenues increased 17.7% from the prior year due to an increase in enrollment, which resulted in increased State Aid received. Operating expenses were \$2,649,515, which represents 100% of total expenses. TCS' most significant expense Purchased Services: Management Fees represents 70.3% of total expenses. The total comprises management fees paid to The Graham School (TGS). The agreement, between TCS and TGS, provides for TCS to remit a specific percentage of certain revenues received to TGS to finance operations. Note 16, in the notes to the basic financial statements outlines this agreement.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

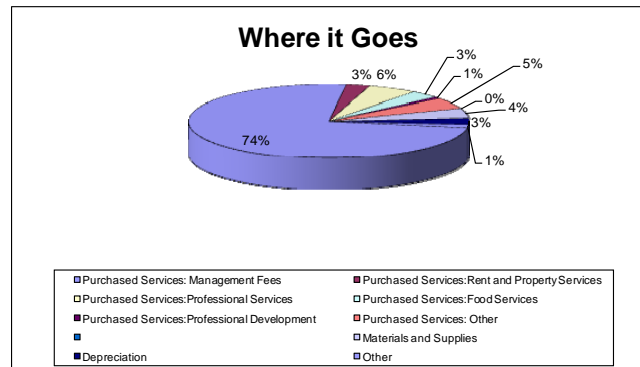
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

**Budgeting Highlights**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor. The contract between TCS and its Sponsor does not prescribe a budgetary process. TCS developed a one year spending plan and a five-year forecast that is reviewed periodically by the Board of Trustees. The five-year forecast is also submitted to the Sponsor and the Ohio Department of Education.

**CAPITAL ASSETS**

At the end of fiscal year 2011, TCS had \$ 137,319 invested in capital assets, net of depreciation. TCS capital assets decreased in fiscal year 2011 due to depreciation outpacing asset additions. For more information on capital assets, see Note 6 in the notes to the basic financial statements.



**DEBT**

At June 30, 2011, TCS had no long term debt but has \$268,387 in total liabilities. TCS had \$117,000 in a line of credit which was fully repaid as of June 30, 2011. Note 12 in the notes to the basic financial statements summarize the conditions and terms of the line of credit.

**OTHER INFORMATION**

**For the Future**

In conclusion, TCS has committed itself to financial excellence. TCS occupies a leased building from the Columbus City School District on Brentnell Ave, effective July 1, 2008. Note 11 describes the conditions and terms of the lease agreement. This building is expected to ensure that the TCS can meet its enrollment projections and give students a positive learning environment.

TCS received donations and private grants to assist in financing the operations and development of curriculum; this practice is expected to continue. TCS has an annual fundraising program and uses the expertise of The Graham School's specialists to assist in this effort.

**CONTACTING THE CHARLES SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of The Charles School's finances and to show its accountability for the money received. If you have questions about this report or need additional information contact Ms. Cheryl Long of The Charles School at Ohio Dominican University, 1270 Brentnell Avenue, Columbus, Ohio 43219 or e-mail at [cheryl@thegrahamschool.org](mailto:cheryl@thegrahamschool.org).

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**Statement of Net Assets  
June 30, 2011**

**Assets**

Current Assets

Cash and Cash Equivalents	\$ 165,519
Accounts Receivable	948
Intergovernmental Receivable	<u>121,895</u>

Total Current Assets 288,362

Noncurrent Assets

Depreciable Capital Assets, net 137,319

Total Assets 425,681

**Liabilities**

Current Liabilities

Accounts Payable	175,834
Intergovernmental Payable	2,845
Deferred Revenue	<u>89,708</u>

Total Liabilities 268,387

**Net Assets**

Investment in Capital Assets, Net of Related Debt	137,319
Unrestricted	<u>19,975</u>

Total Net Assets \$ 157,294

See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

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

<b>Operating Revenues</b>	
State Aid	\$ 1,755,296
Food Service	4,293
Classroom Fees	15,411
Rental Income	40,000
Other Operating	<u>18,216</u>
<b>Total Operating Revenues</b>	<u>1,833,216</u>
<b>Operating Expenses</b>	
Purchased Services: Management Fees	1,862,347
Purchased Services: Rent and Property Services	117,736
Purchased Services: Professional Services	180,936
Purchased Services: Food Services	84,240
Purchased Services: Professional Development	18,667
Purchased Services: Tuition Payments to University	102,556
Purchased Services: Other	85,949
Materials and Supplies	107,935
Depreciation	53,358
Other	<u>35,791</u>
<b>Total Operating Expenses</b>	<u>2,649,515</u>
<b>Operating Loss</b>	<u>(816,299)</u>
<b>Non-Operating Revenues</b>	
Federal Grants	749,942
State Grants	7,029
Contributions & Donations	72,289
Investment Income	<u>224</u>
<b>Total Non-Operating Revenues</b>	<u>829,484</u>
<b>Change in Net Assets</b>	<u>13,185</u>
<b>Net Assets Beginning of Year</b>	144,109
<b>Net Assets End of Year</b>	<u>\$ 157,294</u>

See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

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

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Cash Received from State of Ohio	\$ 1,755,296
Cash Received from Other Operating Sources	77,920
Cash Payments to Suppliers for Goods and Services	(2,407,460)
Other Cash Payments	<u>(35,791)</u>

Net Cash Used for Operating Activities (610,035)

**Cash Flows from Noncapital Financing Activities**

Cash Received from Grants	736,539
Cash payments to Line of Credit	(117,000)
Cash Received from Contributions and Donations	<u>94,484</u>

Net Cash Provided by Noncapital Financing Activities 714,023

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

Cash Payments for Capital Assets	(1,436)
----------------------------------	---------

**Cash Flows from Investing Activities**

Interest Income	224
-----------------	-----

**Net Increase in Cash and Cash Equivalents** 102,776

**Cash and Cash Equivalents Beginning of Year** 62,743

**Cash and Cash Equivalents End of Year** \$ 165,519

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

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

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

Operating Loss \$ (816,299)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Depreciation 53,358

Changes in Assets and Liabilities:

Accounts Receivable 59,359

Prepaid Items 5,216

Accounts Payable 88,331

Net Cash Used in Operating Activities \$ (610,035)

See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011**

**1. DESCRIPTION OF THE REPORTING ENTITY**

The Charles School at Ohio Dominican University (TCS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. TCS is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect TCS' tax-exempt status. TCS' objective is to use the Columbus community to form partnerships for student learning. Individualized programs are used to meet students' needs. Parents and students are included in all decision-making. TCS, which is part of the State's education program, is independent and is nonsectarian in its programs, admission policies, employment practices, and all other operations. TCS may acquire facilities as needed and contract for any services necessary for the operation of the school.

TCS was approved for operation under a contract with the Delaware-Union Educational Service Center (the Sponsor) for a period of one year commencing July 1, 2008. A new one year contract was approved commencing July 1, 2009. The Sponsor is responsible for evaluating the performance of TCS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

On January 1, 2009, the Sponsor merged with the Franklin County Service Center. The surviving organization, the Educational Service Center of Central Ohio, acknowledges its obligations under the existing contract between the Sponsor and TCS, and expects to honor provisions contained therein, as documented in the Memorandum of Understanding dated January 3, 2009. On May 13, 2009, a sponsorship agreement was executed between TCS and the Educational Service Center of Central Ohio for a five (5) year period beginning July 1, 2009. The pre-existing contract with Delaware-Union Educational Service Center expired on June 30, 2009.

TCS operates under the direction of a five-member governing board. The governing 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.

TCS contracts with The Graham School (TGS) for most of its day-to-day activities. (See Note 16)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of TCS have been prepared in conformity with generally accepted accounting principles (GAAP) 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. TCS 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. Following are the more significant of TCS' accounting policies. However, TCS has elected not to apply FASB statements and interpretations issued after November 30, 1989.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

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

**A. Basis of Presentation**

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

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

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The operating statement presents increases and decreases in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided for in the sponsorship agreement. The contract between TCS and its Sponsor does not prescribe an annual budget requirement, as defined in Ohio Revised Code Chapter 5705. However, TCS prepares a five-year forecast, which is to be updated semi-annually, as required by the sponsorship agreement.

**D. Cash and Cash Equivalents**

All cash received by TCS is deposited in accounts in TCS's name and reflected as Cash and Cash Equivalents on the Statement of Net Assets. TCS did not have any investments during fiscal year 2011.

**E. Prepaid Items**

TCS records payments made to vendors for services that will benefit future periods 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 recorded in the year in which the services are consumed. No prepaid items were recorded at June 30, 2011.



**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

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

**F. Capital Assets and Depreciation**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements (deletions) during the year. Donated capital assets are recorded at their fair market values as of the date received. TCS' capitalization threshold is five hundred dollars.

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 useful life are not. Interest incurred during the construction of capital assets is also capitalized.

Depreciation of furniture and equipment and textbooks are computed using the straight-line method over an estimated useful life of five years. Improvements to capital assets are depreciated over the remaining useful lives. Buildings are depreciated over forty years.

**G. Intergovernmental Revenues**

TCS currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenue (foundation payments) in the accounting period in which it is earned and becomes measurable. Funding from this program is listed as "State Aid" on the Statement of Revenues, Expenses, and Change in Net Assets.

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which TCS must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to TCS on a reimbursement basis.

Resources where the timing requirement is not met are recorded as a liability to the funding source, and reported as a non-operating expense. Resources received prior to the period of use are deferred.

Amounts awarded under the above programs for the 2011 school year totaled \$ 2,512,267.

**H. 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 balances of any borrowings 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 TCS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. TCS does not have any restricted net assets at June 30, 2011, but the Statement of Net Assets reports \$137,319 in Invested in Capital Assets. TCS applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

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

**I. Operating Revenues and Expenses**

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

**J. Estimates**

The preparation of the 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 the accompanying notes. Actual results may differ from those estimates.

**3. DEPOSITS AND INVESTMENTS**

**Deposits with Financial Institutions**

**Deposits:** The carrying value of TCS's deposits are \$165,519, and the bank balance totaled \$212,788, all of which was covered by federal depository insurance, based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011.

Custodial credit risk is the risk that, in the event of bank failure, TCS's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of TCS.

**4. INTERGOVERNMENTAL AND ACCOUNTS RECEIVABLE**

At June 30, 2011, TCS had an intergovernmental receivable in the amount of \$121,895 for CCIP and foundation payments due, but not received by year end. The intergovernmental receivable is collectible in the next operating cycle. Accounts receivable consist of an overpayment to vendors of \$948 at June 30, 2011. (See Notes 10 and 12)

**5. ACCOUNTS PAYABLE**

Accounts Payable consists of obligations at June 30, 2011 incurred during the normal course of conducting operations.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**6. CAPITAL ASSETS**

For the year ended June 30, 2011, TCS' capital assets consisted of the following:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/11</u>
<b>Capital Assets Being Depreciated:</b>				
Computers & Equipment	\$201,148	\$ 1,436	\$ -	\$ 202,584
Textbooks	<u>64,205</u>	<u>-</u>	<u>-</u>	<u>64,205</u>
<b>Total Capital Assets Being Depreciated</b>	<u>265,353</u>	<u>1,436</u>	<u>-</u>	<u>266,789</u>
 <b>Less Accumulated Depreciation:</b>				
Computers & Equipment	(57,325)	(40,517)	-	(97,842)
Textbooks	<u>(18,787)</u>	<u>(12,841)</u>	<u>-</u>	<u>(31,628)</u>
<b>Total Accumulated Depreciation</b>	<u>(76,112)</u>	<u>(53,358)</u>	<u>-</u>	<u>(129,470)</u>
 <b>Total Capital Assets Being Depreciated Net</b>	<u>\$189,241</u>	<u>\$ (51,922)</u>	<u>\$ -</u>	<u>\$ 137,319</u>

**7. RISK MANAGEMENT**

**A. Insurance Coverage**

TCS 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. For the year ended 2011, TCS contracted with the Philadelphia Insurance Company for the following insurance coverage:

Commercial General Liability per occurrence	\$1,000,000
Commercial General Liability aggregate	2,000,000
Umbrella Liability per occurrence (\$10,000 self-insured retention)	6,000,000

The amount of settlements did not exceed insurance coverage for any of the past three years. There has not been a significant reduction in coverage from the prior year.

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

**Plan Description** - TCS contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/ Audit Resources.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

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

**A. School Employees Retirement System (Continued)**

**Funding Policy** - Plan members are required to contribute 10 percent of their annual covered salary and TCS is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. TCS contributions to SERS for the years ended June 30, 2011, 2010 and 2009 were zero; all contributions were paid and reported under TGS.

**B. State Teachers Retirement Systems (STRS)**

**Plan Description** - TCS participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS (continued)**

**B. State Teachers Retirement Systems (STRS) (Continued)**

**Funding Policy** - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The TCS was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

TCS' required contributions for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009 were \$0; all employee contributions were paid and reported under TGS.

**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. As of June 30, 2011, no employee has elected to participate in Social Security.

**9. POSTEMPLOYMENT BENEFITS**

**A. School Employee Retirement System**

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

**Medicare Part B**

The Medicare B plan reimburses Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40; SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarial required allocation is .76 percent. TCS contributions for the years ended June 30, 2011, 2010 and 2009 were zero. All contributions were paid and reported under The Graham School.

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

**A. School Employee Retirement System (Continued)**

HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2011, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. TCS contributions assigned to health care for the years ended June 30, 2011, 2010 and 2009 were zero.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources

**B. State Teachers Retirement System**

**Plan Description** – The TCS 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.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**9. POSTEMPLOYMENT BENEFITS (Continued)**

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

**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 percent of covered payroll to the Health Care Stabilization Fund. The TCS' contributions for health care for the fiscal years ended June 30 2011, 2010, and 2009 were \$0. These amounts were paid by TGS as part of both the Graham and Charles Schools' contribution to the Health Care Fund.

**10. CONTINGENCIES**

**A. Grants**

TCS receives 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 operating fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of TCS at June 30, 2011.

**B. Full-Time Equivalency Reviews**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by TCS. These reviews are conducted to ensure TCS is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has been conducted for the 2010-2011 school year and the conclusion of this review resulted in state funding for TCS being adjusted by an increase of \$3,176. This amount for FTE has been recorded on the accompanying financial statements presented.

**11. OPERATING LEASES – LESSEE DISCLOSURE**

**A. Modern Office Equipment- Copier**

TCS entered into an operating lease commencing February 2008 for a term of 60 months for a copier. The copier is owned by Modern Office Methods. The term will be extended automatically for successive 12 month terms unless written notice is given 30 days prior to the end of any term. Total payments made on the lease were \$8,786 for fiscal year 2011.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2011.

<u>Fiscal Year</u>	<u>Copier</u>
2012	8,786
2013	7,322
Total	16,108

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**11. OPERATING LEASES – LESSEE DISCLOSURE**

**B. Educational Facility**

TCS leases a building located at 1270 Brentnell Avenue from the Columbus City School District. The term of the lease is for a period of 120 months commencing on July 1, 2008 and ending June 30, 2018 for \$5,216 (\$62,594 annually). In the sixth year and thereafter, the lease annual lease payments adjust based upon the lesser of 13.5% or the annual CPI (consumer price index) increase.

**12. SHORT-TERM DEBT – Charles E. Graham**

At June 30, 2011, the following table represents TCS' short-term debt issuance:

	<u>Principal Outstanding 6/30/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2011</u>
Line of Credit	\$ 117,000	\$ -	\$117,000	\$ -

On November 13, 2006, TCS entered into an open-end promissory note with Charles E. Graham (payee) in the amount of \$150,000 to be repaid with interest at a rate of 8 percent. The entire unpaid principal balance together with accrued interest shall be due and payable upon demand. On August 20, 2007, the Note was amended to increase the principal amount available to \$250,000. On May 5, 2009, the payee rescinded its contractual claim on any unpaid accrued interest and future interest on any outstanding balance for the term of the letter of credit. No interest payable is reported for the year ended June 30, 2011. Throughout the year, the TCS began making principal payments against the line of credit. On May 31, 2011, the Graham School approved the transfer of the outstanding line of credit from the Charles School in the amount of \$84,000 which was the remaining balance outstanding, which became an accounts payable to The Graham School which was repaid through management fees. An overpayment of \$906.58 has been reported as a receivable from Charles E. Graham at June 30, 2011. See Note 4. At June 30, 2011, TCS outstanding principal balance of zero.

**13. RELATED PARTY TRANSACTION**

As listed above, board member Charles E. Graham held a line of credit for TCS. The terms and outstanding balances are listed above in Note 12. This transaction is in violation of TCS's sponsor agreement with the Educational Service Center of Central Ohio. In addition, Charles E. Graham is the cousin of Eileen Meers who serves as the CEO of Students and founder of TCS.

**14. TAX EXEMPT STATUS**

TCS was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect TCS' tax exempt status.



**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**15. SPONSOR**

TCS Board Resolution #47 extended its sponsorship agreement with Delaware-Union Educational Service Center (the Sponsor) for a twelve month period ending June 30, 2009. Under this agreement, TCS was to remit 2.5% of foundation receipts to the Sponsor. However, Board Resolution #53, adopted and approved on April 16, 2008 modified the fee amount from a fixed 1.5% of foundation receipts to "up to" 3%. On May 13, 2009, a sponsorship agreement was executed between TCS and the Educational Service Center of Central Ohio for a five (5) year period beginning July 1, 2009. The pre-existing contract with Delaware-Union Educational Service Center expired on June 30, 2009.

TCS paid fees to the Sponsor totaling \$41,643 for the year ended June 30, 2011. The payments are reported in the Statement of Revenue, Expenses and Change in Net Assets as part of Purchased Services- Professional Services.

**16. MANAGEMENT AGREEMENT WITH THE GRAHAM SCHOOL**

Effective July 1, 2007, TCS entered into a two year Management Agreement (the Agreement) with TGS. The Agreement's term ran through June 30, 2009 and was subsequently renewed on July 8, 2009 and modified on August 12, 2009 to cover the periods ending January 31, 2010 and December 31, 2010 respectively. On July 21, 2010, the TCS Board approved a modified agreement with TGS to commence July 1, 2010 through December 31, 2011, which further defined the roles of TGS and TCS in the agreement. Per the contract, TGS receives up to ninety-five (95) percent of TCS' federal and state awards, after a minimum of five (5) percent is spent by TCS to pay its direct expenses. TCS management fee expense for the fiscal year total \$1,862,347, as reported in the Statement of Revenues, Expenses and Changes in Net Assets. Of this fee, \$1,210,598 was for general fund related fees and \$651,749 was for grant related reimbursements

TCS and TGS have common board members as of June 30, 2011.

**17. MANAGEMENT COMPANY EXPENSES**

For the year ended June 30, 2011, TGS paid the following expenses on-behalf of TCS:

<b>Expenses</b>	<u>2011</u>
<b>Direct Expenses:</b>	
Salaries and Wages	1,135,870
Employees' Benefits	307,599
<b>Indirect Expenses:</b>	
Overhead	<u>328,268</u>
<b>Total Expenses</b>	<b><u>1,771,737</u></b>

Overhead charges are assigned to TCS based on a percentage of full-time equivalent student enrollment. These charges represent the indirect cost of services provided in the operation of TCS. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2011  
(Continued)**

**18. CHANGE IN ACCOUNTING PRINCIPLES**

The School has implemented Government 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 to the School's financial statements.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**FEDERAL AWARDS REVENUES AND EXPENSES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor Program Title	Grant Award Year	Federal CFDA Number	Revenues	Expenses
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
National School Lunch Program	2011	10.555	\$ 48,995	\$ 48,995
<b>Total U.S. Department of Agriculture</b>			<b><u>48,995</u></b>	<b><u>48,995</u></b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States - ARRA	2011	84.391	24,598	24,598
Special Education Grants to States	2011	84.027	60,178	60,178
Total Special Education Grants to States			<u>84,776</u>	<u>84,776</u>
State Fiscal Stabilization Fund - Education State Grants- ARRA	2011	84.394	147,550	147,550
Title I Grants to Local Educational Agencies	2011	84.010	174,812	174,812
Title I Grants to Local Educational Agencies - ARRA	2011	84.389	<u>102,341</u>	<u>102,341</u>
Total Title I Grants to Local Educational Agencies			277,153	277,153
Education Jobs Fund	2011	84.410	105,035	105,035
Race to the Top	2011	84.395	9,608	9,608
Improving Teacher Quality State Grants	2011	84.367	6,460	6,460
Educational Technology State Grants	2011	84.318	<u>583</u>	<u>583</u>
<b>Total U.S. Department of Education</b>			<b><u>631,165</u></b>	<b><u>631,165</u></b>
<b>Totals</b>			<b><u>\$ 680,160</u></b>	<b><u>\$ 680,160</u></b>

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

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS REVENUES AND EXPENSES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Revenues and Expenses Schedule (the Schedule) reports the Charles School at Ohio Dominican University's (the School's) federal award programs' revenues and expenses. The schedule has been prepared on the accrual basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The School commingles cash revenues from the U.S. Department of Agriculture with similar State grants. When reporting expenses on this Schedule, the School assumes it expends federal monies 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*

The Charles School at Ohio Dominican University  
Franklin County  
1270 Brentnell Avenue  
Columbus, Ohio 43219

To the Board:

We have audited the financial statements of The Charles School at Ohio Dominican University, 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 10, 2012. 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 certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated February 10, 2012.

We intend this report solely for the information and use of the audit committee, management, the Board, the School's sponsor (the Educational Service Center of Central Ohio), federal awarding agencies and pass-through entities, and others within the School. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

February 10, 2012



# Dave Yost • Auditor of State

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

The Charles School at Ohio Dominican University  
Franklin County  
1270 Brentnell Avenue  
Columbus, Ohio 43219

To the Board:

### Compliance

We have audited the compliance of The Charles School at Ohio Dominican University, Franklin County, Ohio (the School) 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 the School's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal programs. The School'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 School's compliance based on our audit.

Our compliance audit followed 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*. These 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 School's compliance with these 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 School's compliance with these requirements.

In our opinion, The Charles School at Ohio Dominican University, Franklin County, Ohio complied, in all material respects, with the requirements referred to above that that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

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](http://www.auditor.state.oh.us)

### Internal Control Over Compliance

The School'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 School'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 School'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 a material weakness, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board, the School's sponsor (the Educational Service Center of Central Ohio), others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

February 10, 2012



**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2011**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I, CFDA # 84.010 Title I ARRA, CFDA #84.389 State Fiscal Stabilization Fund, CFDA #84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None noted.

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

None noted.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

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>
2010-001	Sponsorship Agreement – unallowable line of credit	No	Partially Corrected; re-issued as a management letter citation



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

The Charles School at Ohio Dominican University  
Franklin County  
1270 Brentnell Avenue  
Columbus, Ohio 43219

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 The Charles School at Dominican University, 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 Board (or School) did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board (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 the Board and School's Sponsor 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 10, 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](http://www.auditor.state.oh.us)

**This page intentionally left blank.**



# Dave Yost • Auditor of State

THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY

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 13, 2012