

The Charles School at Ohio Dominican
University
Franklin County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2014



Dave Yost • Auditor of State

Board of Directors
The Charles School at Ohio Dominican University
1270 Brentnell Avenue
Columbus, Ohio 43214

We have reviewed the *Independent Auditor's Report* of The Charles School at Ohio Dominican University, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Charles School at Ohio Dominican University is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

April 23, 2015

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

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February 23, 2015

To the Board of Directors
The Charles School at Ohio Dominican University
1270 Brentnell Avenue
Columbus, OH 43214

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of The Charles School at Ohio Dominican University, Franklin County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(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, 2014. 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.

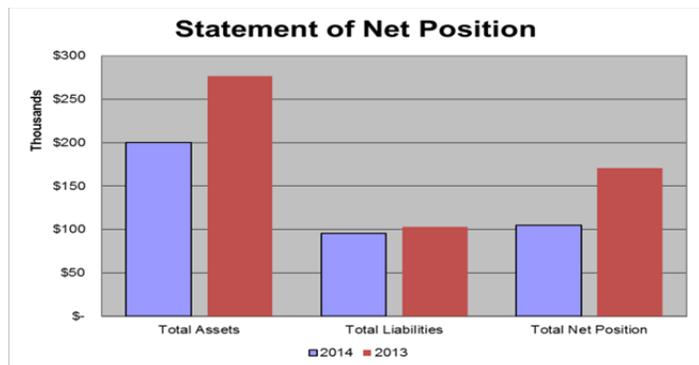
The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain 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 2014 are as follows:

- In total, net position decreased \$66,060 which represents a 38.7% decrease from 2013. This decrease is due to expenditures increasing at a higher rate than revenue during the fiscal year.
- Total assets decreased \$76,721 which represents a 27.7% decrease from 2013. This was primarily due to a decrease in receivables and depreciation of capital assets from the previous year.
- Liabilities and deferred inflows decreased \$10,661 which represents a 10% decrease from 2013. The decrease in liabilities and deferred inflows of resources is primarily due to decreases in deferred inflows of resources, 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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.



The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how TCS did financially during fiscal year 2014. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 Position and changes in net position. This change in Net Position 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, 2014
(UNAUDITED)**

Statement of Net Position

The Statement of Net Position answers the question of how TCS did financially during 2014. 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 Position for fiscal year 2014 and 2013.

(Table 1)
Statement of Net Position

	2014	2013
Assets		
Current Assets	\$ 157,224	\$ 192,979
Capital Assets, Net	42,907	83,873
Total Assets	200,131	276,852
Liabilities		
Current Liabilities	95,538	103,043
Deferred Inflows		
Private Grants-Deferred	-	3,156
Net Position		
Invested in Capital Assets	42,907	83,873
Unrestricted	61,686	86,780
Total Net Position	\$ 104,593	\$ 170,653

Total assets were \$200,131, a decrease of 27.7% from the prior year due to a decrease in receivables and depreciation of capital assets, while total liabilities decreased by 10% to \$95,538 as a result of decrease accounts payable due to operations. Cash and cash equivalents were \$13,556 and capital assets, at net, were \$42,907. Intergovernmental receivables, a current asset, totaled \$26,371.

Statement of Revenues, Expenses and Changes in Net Position

Table 2, below, demonstrates the changes in Net Position for fiscal year 2014 and 2013, as well as a listing of revenues and expenses. This change in Net Position 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, 2014
(UNAUDITED)**

(Table 2)
Change in Net Position

	2014	2013
Operating Revenues		
State Aid	\$2,519,268	\$2,347,575
Casino Aid	19,042	7,888
Facilities Funding	34,327	-
Food Service	11,643	17,315
Classroom Fees	2,340	6,062
Other Operating	20,926	24,141
Non-Operating Revenue		
Federal Grants	536,701	586,888
State Grants	2,178	2,242
Contributions & Donations	16,848	14,222
Investment Income	-	39
Total Revenues	3,163,273	3,006,372
Operating Expenses		
Purchased Services: Management Fees	2,481,568	2,026,789
Purchased Services: Rent and Property Services	124,824	180,178
Purchased Services: Professional Services	122,382	186,269
Purchased Services: Food Services	113,209	100,269
Purchased Services: Professional Development	3,333	23,393
Purchased Services: Tuition Payments to University	162,685	197,171
Purchased Services: Other	75,014	74,409
Materials and Supplies	76,691	127,069
Depreciation	40,967	49,931
Other	28,660	42,897
Total Expenses	3,229,333	3,008,375
Change in Net Position	\$ (66,060)	\$ (2,003)

Operating revenues were \$2,607,546, which represents 82% of total revenue. Total Revenues increased 5% from the prior year due to an increase in enrollment, which resulted in increased State Aid received. Operating expenses were \$3,229,333, which represents 100% of total expenses. TCS' most significant expense Purchased Services: Management Fees represents 77% 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 15, 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, 2014
(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 Directors. The five-year forecast is also submitted to the Sponsor and the Ohio Department of Education.

CAPITAL ASSETS

At the end of fiscal year 2014, TCS had \$42,907 invested in capital assets, net of depreciation. For more information on capital assets, see Note 6 in the notes to the basic financial statements.

DEBT

At June 30, 2014, TCS had no long term debt but has \$95,538 in total liabilities.

OTHER INFORMATION

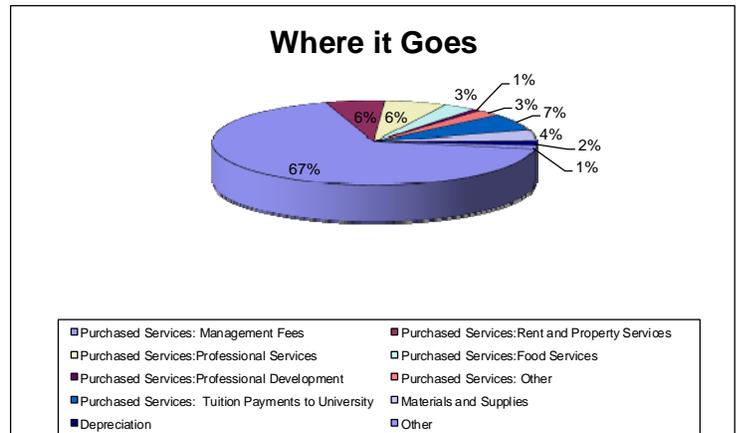
For the Future

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 43214 or e-mail at cheryl@thegramschool.org.



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

**Statement of Net Position
June 30, 2014**

Assets

Current Asset

Cash and Cash Equivalents	\$ 13,556
Accounts Receivable	111,760
Prepays	5,537
Intergovernmental Receivable	<u>26,371</u>
Total Current Assets	<u>157,224</u>

Noncurrent Assets

Depreciable Capital Assets, net	<u>42,907</u>
Total Assets	<u>200,131</u>

Liabilities

Current Liabilities

Accounts Payable	<u>95,538</u>
Total Liabilities	<u>95,538</u>

Net Position

Invested in Capital Assets	42,907
Unrestricted	<u>61,686</u>
Total Net Position	<u>\$ 104,593</u>

See accompanying notes to the basic financial statements

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

**Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014**

Operating Revenues	
State Aid	\$ 2,519,268
Casino Aid	19,042
Facilities Funding	34,327
Food Service	11,643
Classroom Fees	2,340
Other Operating	<u>20,926</u>
 Total Operating Revenues	 <u>2,607,546</u>
 Operating Expenses	
Purchased Services: Management Fees	2,481,568
Purchased Services: Rent and Property Services	124,824
Purchased Services: Professional Services	122,382
Purchased Services: Food Services	113,209
Purchased Services: Professional Development	3,333
Purchased Services: Tuition Payments to University	162,685
Purchased Services: Other	75,014
Materials and Supplies	76,691
Depreciation	40,967
Other	<u>28,660</u>
 Total Operating Expenses	 <u>3,229,333</u>
 Operating Loss	 <u>(621,787)</u>
 Non-Operating Revenues	
Federal Grants	536,701
State Grants	2,178
Contributions & Donations	<u>16,848</u>
 Total Non-Operating Revenues	 <u>555,727</u>
 Change in Net Position	 (66,060)
 Net Position Beginning of Year	 <u>170,653</u>
 Net Position End of Year	 <u>\$ 104,593</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, 2014**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows Used for Operating Activities

Cash Received from State of Ohio	\$ 2,572,637
Cash Received from Other Operating Sources	34,909
Cash Payments to Suppliers for Goods and Services	(3,158,276)
Other Cash Payments	<u>(28,660)</u>

Net Cash Used for Operating Activities (579,390)

Cash Flows from Noncapital Financing Activities

Cash Received from Grants	517,067
Cash Received from Contributions and Donations	<u>16,848</u>

Net Cash Provided by Noncapital Financing Activities 533,915

Net Decrease in Cash and Cash Equivalents (45,475)

Cash and Cash Equivalents Beginning of Year 59,031

Cash and Cash Equivalents End of Year \$ 13,556

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

Operating Loss \$ (621,787)

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

Depreciation 40,967

Changes in Assets and Liabilities:

Accounts Receivable	(24,014)
Accounts Payable	<u>25,444</u>

Net Cash Used For Operating Activities \$ (579,390)

See accompanying notes to the basic financial statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 school has subsequently renewed for a three year term ending June 30, 2017.

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 15)

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. Following are the more significant of TCS' accounting policies.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

TCS's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, 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 Position, 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 deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. The operating statement presents increases and decreases in net position. 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 Position. TCS did not have any investments during fiscal year 2014.

E. Prepaid Items

TCS records payments made to vendors for services that will benefit future periods as prepaid items using the consumption method. No prepaid items were recorded at June 30, 2014. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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 one thousand 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 computers 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.

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 Changes in Net Position.

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 2014 school year totaled \$3,058,147.

H. Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Position invested in capital assets consists of capital assets, net of accumulated depreciation. Net Position is 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 Position at June 30, 2014, but the Statement of Net Position reports \$42,907 in Invested in Capital Assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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 \$13,556, and the bank balance totaled \$51,533, 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, 2014.

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. ACCOUNTS RECEIVABLE AND INTERGOVERNMENTAL RECEIVABLE

At June 30, 2014, TCS had an intergovernmental receivable in the amount of \$26,371 for CCIP, but not received by year end. The intergovernmental receivable is collectible in the next operating cycle.

The school had an additional \$111,760 in accounts receivable due at June 30, 2014 incurred during the normal course of conducting operations.

5. ACCOUNTS PAYABLE

Accounts Payable consists of obligations at June 30, 2014 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, 2014
(Continued)**

6. CAPITAL ASSETS

For the year ended June 30, 2014, TCS' capital assets consisted of the following:

	Balance			Balance
	<u>6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2014</u>
Capital Assets Being Depreciated:				
Computers & Equipment	\$253,041	\$ -	\$ -	\$ 253,041
Textbooks	<u>64,205</u>	-	-	<u>64,205</u>
Total Capital Assets Being Depreciated	<u>317,246</u>	-	-	<u>317,246</u>
 Less Accumulated Depreciation:				
Computers & Equipment	(176,063)	(34,071)	-	(210,134)
Textbooks	<u>(57,310)</u>	<u>(6,895)</u>	-	<u>(64,205)</u>
Total Accumulated Depreciation	<u>(233,373)</u>	<u>(40,966)</u>	-	<u>(274,339)</u>
 Total Capital Assets Being Depreciated Net	<u>\$ 83,873</u>	<u>\$ (40,966)</u>	<u>\$ -</u>	<u>\$ 42,907</u>

7. RISK MANAGEMENT

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 2014, 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 under Employer/ Audit Resources.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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, 2014, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 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, 2014, 2013 and 2012 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.

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, 2014
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The TCS was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2014, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 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, 2014, 2013, and 2012 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, 2014, 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 premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90; 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 2014, the actuarial required allocation is .75 percent. TCS contributions for the years ended June 30, 2014, 2013 and 2012 were zero. All contributions were paid and reported under TGS.

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
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(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, 2014, the health care allocation is .55 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, 2014, 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, 2014, 2013 and 2012 were zero. All contributions were paid and reported under TGS.

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 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 or by calling (888) 227-7877.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(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 2014, 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 2014, 2013, and 2012 were \$0. These amounts were paid by TGS as part of both TGS and TCS 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, 2014.

B. Full-Time Equivalency Reviews

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has been conducted for the 2013-2014 school year. The adjustments for FTE did not have a material effect on the accompanying financial statements presented, and will be presented in the financial activity for 2015.

11. OPERATING LEASES – LESSEE DISCLOSURE

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 \$5,537 (\$66,444 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. RELATED PARTY TRANSACTION

Charles E. Graham is the cousin of Eileen Meers who serves as the CEO of Students and founder of TCS.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)**

13. 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.

14. 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. On July 1, 2014, the agreement was extended another three years through June 30, 2017.

TCS paid fees to the Sponsor totaling \$62,880 for the year ended June 30, 2014. The payments are reported in the Statement of Revenue, Expenses and Change in Fund Net Position as part of Purchased Services- Professional Services.

15. 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, 2012, which further defined the roles of TGS and TCS in the agreement. In December 2012, the board approved to contract to continue to June 30, 2014. 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 \$2,481,568, as reported in the Statement of Revenues, Expenses and Changes in Fund Net Position. Of this fee, \$2,059,804 was for general fund related fees and \$421,764 was for grant related reimbursements. Accounts Receivable due from TGS in the amount of \$111,760 is listed on the statement of Net Position.

THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014
(Continued)

16. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2014, TGS paid the following expenses on-behalf of TCS:

Expenses	<u>2014</u>
Direct Expenses:	
Salaries & wages	\$1,306,099
Employees' benefits	382,744
Indirect Expenses:	
Overhead	<u>307,384</u>
Total Expenses	<u><u>\$1,996,227</u></u>

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.

February 23, 2015

To the Board of Directors
The Charles School at Ohio Dominican University
1270 Brentnell Avenue
Columbus, OH 43214

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated February 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

February 23, 2015

To the Board of Directors
The Charles School at Ohio Dominican University
Franklin County, Ohio
1270 Brentnell Avenue
Columbus, OH 43214

Independent Accountant's Report on Applying Agreed-Upon Procedures

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

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

1. In the prior report dated March 13, 2014, we noted the Board adopted an anti-harassment policy on August 20, 2012. However, this policy did not include all matters required by Ohio Rev. Code Section 3313.666.
2. The Board amended the policy on October 21, 2013. We read the amended policy, noting it now includes all the requirements listed in Ohio Rev. Code Section 3313.666.

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 of Directors and Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

Medina, Ohio



Dave Yost • Auditor of State

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
MAY 7, 2015**