

The Charles School at Ohio Dominican University

Franklin County, Ohio

Audited Financial Statements
For the Fiscal Year Ended June 30, 2015



Dave Yost • Auditor of State

Board of Directors
The Charles School at Ohio Dominican University
1270 Brentnell Ave.
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, 2014 through June 30, 2015. 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

May 23, 2016

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

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Statements of Net Position	8
Statement of Revenues, Expenses and Changes in Net Position	9
Statement of Cash Flows	10
Notes to the Basic Financial Statements	12
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	20

March 25, 2016

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, 2015, 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, 2015, 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 March 25, 2016 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.

Dublin, Ohio

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(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, 2015. 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

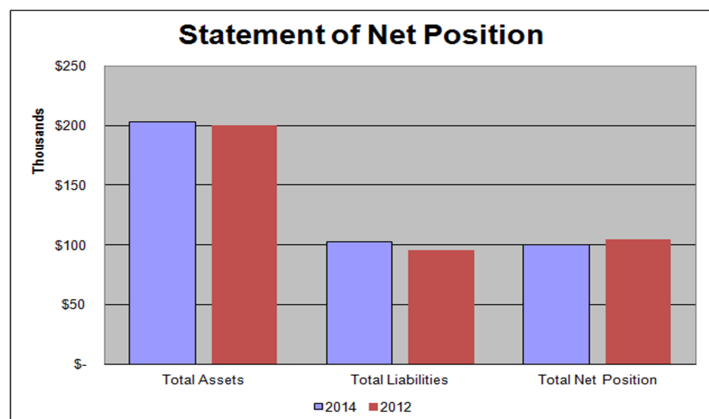
Key financial highlights for fiscal year 2015 are as follows:

- In total, net position decreased \$4,262 which represents a 4.1 percent decrease from 2014. This decrease is due to increases in expenditures relative to revenue.
- Total assets increased \$2,912 which represents a 1.5 percent increase from 2014. This was primarily due to a decrease in receivables and depreciation of capital assets from the previous year offset by increases in cash and intergovernmental receivables.
- Liabilities increased \$7,174 which represents a 7.5 percent increase from 2014. The increase in liabilities is primarily due to increases in 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 Change in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how TCS did financially during fiscal year 2015. 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 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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

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.

Statement of Net Position

The Statement of Net Position answers the question of how TCS did financially during 2015. 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 2015 and 2014.

(Table 1)
Statement of Net Position

	2015	2014
Assets		
Current Assets	\$ 183,945	\$ 157,224
Capital Assets, Net	19,098	42,907
Total Assets	203,043	200,131
Liabilities		
Current Liabilities	102,712	95,538
Net Position		
Invested in Capital Assets	19,098	42,907
Unrestricted	81,233	61,686
Total Net Position	\$ 100,331	\$ 104,593

Total assets were \$203,043, an increase of 1.5% from the prior year due to an increase in intergovernmental receivables and cash offset by decreases in accounts receivables and book value of capital assets, while total liabilities increased by 7.5% to \$102,712 as a result of increased accounts payable due to operations. Cash and cash equivalents were \$56,080 and capital assets, at net, were \$19,098. Intergovernmental receivables, a current asset, totaled \$45,420.

Statement of Revenues, Expenses and Change in Net Position

Table 2, below, demonstrates the changes in Net Position for fiscal year 2015 and 2014, 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, 2015
(UNAUDITED)**

(Table 2)
Change in Net Position

	2015	2014
Operating Revenues		
State Aid	\$2,564,128	\$2,519,268
Casino Aid	18,200	19,042
Facilities Funding	32,002	34,327
Food Service	4,246	11,643
Classroom Fees	4,076	2,340
Other Operating	15,391	20,926
Non-Operating Revenue		
Federal Grants	539,760	536,701
State Grants	2,021	2,178
Contributions & Donations	5,842	16,848
Total Revenues	3,185,666	3,163,273
Operating Expenses		
Purchased Services: Management Fees	2,335,620	2,481,568
Purchased Services: Rent and Property Services	195,197	124,824
Purchased Services: Professional Services	134,373	122,382
Purchased Services: Food Services	105,524	113,209
Purchased Services: Professional Development	11,387	3,333
Purchased Services: Tuition Payments to University	152,303	162,685
Purchased Services: Other	93,011	75,014
Materials and Supplies	114,697	76,691
Depreciation	23,809	40,967
Other	24,007	28,660
Total Expenses	3,189,928	3,229,333
Change in Net Position	\$ (4,262)	\$ (66,060)

Operating revenues were \$2,638,043, which represents 83% of total revenue. Total Revenues increased .7% from the prior year due to an increase in enrollment, which resulted in increased State Aid received. Operating expenses were \$3,189,928, which represents 100% of total expenses. TCS' most significant expense Purchased Services: Management Fees represents 73% 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 13, 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, 2015
(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 2015, TCS had \$19,098 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, 2015, TCS had no long term debt but has \$102,712 in total liabilities.

OTHER INFORMATION

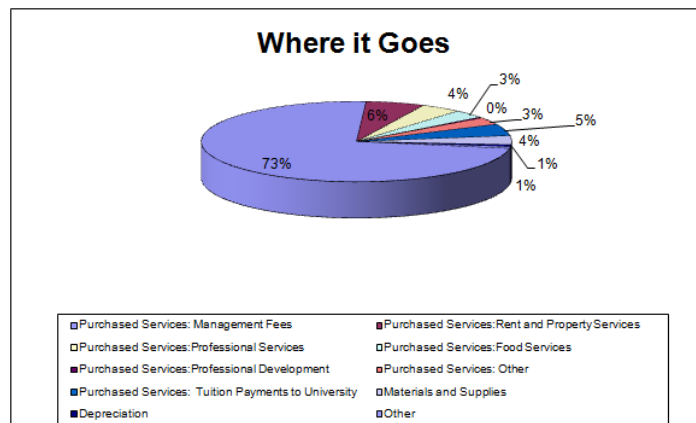
For the Future

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 9 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@thegrahamschool.org.



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

**STATEMENT OF NET POSITION
JUNE 30, 2015**

Assets

Current Asset

Cash and Cash Equivalents	\$ 56,080
Accounts Receivable	76,908
Prepays	5,537
Intergovernmental Receivable	<u>45,420</u>

Total Current Assets 183,945

Noncurrent Assets

Depreciable Capital Assets, net 19,098

Total Assets 203,043

Liabilities

Current Liabilities

Accounts Payable 102,712

Total Liabilities 102,712

Net Position

Invested in Capital Assets 19,098

Unrestricted 81,233

Total Net Position \$ 100,331

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, 2015**

Operating Revenues	
State Aid	\$ 2,564,128
Casino Aid	18,200
Facilities Funding	32,002
Food Service	4,246
Classroom Fees	4,076
Other Operating	<u>15,391</u>
Total Operating Revenues	<u>2,638,043</u>
Operating Expenses	
Purchased Services: Management Fees	2,335,620
Purchased Services: Rent and Property Services	195,197
Purchased Services: Professional Services	134,373
Purchased Services: Food Services	105,524
Purchased Services: Professional Development	11,387
Purchased Services: Tuition Payments to University	152,303
Purchased Services: Other	93,011
Materials and Supplies	114,697
Depreciation	23,809
Other	<u>24,007</u>
Total Operating Expenses	<u>3,189,928</u>
Net Operating Income/(Loss)	(551,885)
Non-Operating Revenues	
Federal Grants	539,760
State Grants	2,021
Contributions & Donations	<u>5,842</u>
Total Non-Operating Revenues	<u>547,623</u>
Change in Net Position	(4,262)
Net Position Beginning of Year	<u>104,593</u>
Net Position End of Year	<u><u>\$ 100,331</u></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, 2015**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 2,614,330
Cash Received from Other Operating Sources	23,713
Cash Payments to Suppliers for Goods and Services	(3,100,086)
Other Cash Payments	<u>(24,007)</u>
Net Cash Used for Operating Activities	<u>(486,050)</u>

Cash Flows from Noncapital Financing Activities

Cash Received from Grants	522,732
Cash Received from Contributions and Donations	<u>5,842</u>
Net Cash Provided by Noncapital Financing Activities	<u>528,574</u>

Net Increase in Cash and Cash Equivalents 42,524

Cash and Cash Equivalents Beginning of Year 13,556

Cash and Cash Equivalents End of Year \$ 56,080

**Reconciliation of Operating Gain (Loss) to Net Cash
Provided by (Used For) Operating Activities**

Operating Loss \$ (551,885)

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

Depreciation 23,809

Changes in Assets and Liabilities:

Accounts Receivable 34,853

Accounts Payable 7,173

Net Cash Used For Operating Activities \$ (486,050)

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, 2015**

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 13)

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, 2015**

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 all liabilities 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 2015.

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, 2015. 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, 2015**

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, Casino Aid, and Facilities Funding. 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 "Operating Revenues" 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 2015 school year totaled \$3,156,111.

H. Net Position

Net Position represent the difference between assets and liabilities. Invested in capital assets, 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 Position 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 Position at June 30, 2015, but the Statement of Net Position reports \$19,098 in Invested in Capital Assets.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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.

K. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2015, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27", GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68". GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 did not have an effect on the financial statements of the School. GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School. GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The implementation of GASB Statement No. 71 did not have an effect on the financial statements of the School.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

3. DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

Deposits: The carrying value of TCS's deposits are \$56,080, and the bank balance totaled \$61,900, 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, 2015.

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, 2015, TCS had an intergovernmental receivable in the amount of \$45,420 for federal grants, but not received by year end. The intergovernmental receivable is collectible in the next operating cycle.

The school had an additional \$76,908 in accounts receivable due at June 30, 2015 incurred during the normal course of conducting operations.

5. ACCOUNTS PAYABLE

Accounts Payable consists of obligations at June 30, 2015 incurred during the normal course of conducting operations.

6. CAPITAL ASSETS

For the year ended June 30, 2015, TCS' capital assets consisted of the following:

	Balance			Balance
	<u>6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2015</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	(210,134)	(23,809)	-	(233,943)
Textbooks	<u>(64,205)</u>	-	-	<u>(64,205)</u>
Total Accumulated Depreciation	<u>(274,339)</u>	<u>(23,809)</u>	-	<u>(298,148)</u>
Total Capital Assets Being Depreciated Net	<u>\$ 42,907</u>	<u>\$ (23,809)</u>	<u>\$ -</u>	<u>\$ 19,098</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 2015, 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. 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, 2015.

B. Full-Time Equivalency Reviews

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School.

9. OPERATING LEASES – LESSEE DISCLOSURE

Educational Facility

TCS leases a building for their educational facility 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 per month. (\$66,444 annually).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

10. RELATED PARTY TRANSACTION

Charles E. Graham is the cousin of Eileen Meers who serves as the CEO of Students, at The Graham School, and was the founder of TCS.

11. 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.

12. SPONSOR

TCS 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, the Board and Sponsor adopted and approved on April 16, 2008, a 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 \$77,303 for the year ended June 30, 2015. The payments are reported in the Statement of Revenue, Expenses and Change in Net Position as part of Purchased Services- Professional Services.

13. 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, 2013. Since June of 2014 the board has approved another one year renewal annually. Per the contract, TGS receives a base fee of three (3) percent up of TCS' federal and state awards. TGS also 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 \$2,335,620, as reported in the Statement of Revenues, Expenses and Changes in Net Position. Of this fee, \$1,916,134 was for general fund related fees and \$419,486 was for grant related reimbursements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

14. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2015, TGS paid the following expenses on-behalf of TCS:

Expenses	<u>Amount</u>
Direct Expenses:	
Salaries & wages	\$ 1,395,558
Employees' benefits	300,692
Indirect Expenses:	
Overhead	<u>333,282</u>
Total Expenses	<u><u>\$ 2,029,532</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.

March 25, 2016

To the Board of Directors
The Charles School at Ohio Dominican University
Franklin County, Ohio
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, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated March 25, 2016.

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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Dublin, Ohio



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
JUNE 2, 2016