

**OLD BROOKLYN MONTESSORI SCHOOL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

OLD BROOKLYN MONTESSORI SCHOOL

TABLE OF CONTENTS

Report of Independent Accountants	1
Financial Statements	
Balance Sheet as of June 30, 1999	2
Statement of Revenues, Expenses and Changes in Retained Earnings For the Fiscal Year Ended June 30, 1999	3
Statement of Cash Flows For the Year Ended June 30, 1999	4
Notes to the Financial Statements	6
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	18



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REPORT OF INDEPENDENT ACCOUNTANTS

Members of the Board of Trustees
Old Brooklyn Montessori School
Cuyahoga County
4216 Pearl Road
Cleveland, Ohio 44109

We have audited the accompanying financial statements of the Old Brooklyn Montessori School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Old Brooklyn Montessori School, Cuyahoga County, Ohio, as of June 30, 1999, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2000 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Jim Petro
Auditor of State

March 30, 2000

Old Brooklyn Montessori School
Balance Sheet
As of June 30, 1999

Assets:

Current Assets:

Cash	\$108,236
Accounts Receivable	1,557
Prepaid Expenses	<u>2,604</u>
<i>Total Current Assets</i>	<u>112,397</u>

Non-Current Assets:

Fixed Assets - Net of Accumulated Depreciation	<u>73,300</u>
<i>Total Non-Current Assets</i>	<u>73,300</u>
<i>Total Assets</i>	<u><u>185,697</u></u>

Liabilities and Equity:

Current Liabilities:

Accounts Payable	2,630
Interest Payable	1,685
Deferred Revenue	<u>5,510</u>
<i>Total Current Liabilities</i>	<u>9,825</u>

Long-Term Liabilities:

Loan Payable	<u>25,000</u>
<i>Total Long-Term Liabilities</i>	<u>25,000</u>
<i>Total Liabilities</i>	<u>34,825</u>

Equity:

Retained Earnings	<u>150,872</u>
<i>Total Equity</i>	<u>150,872</u>
<i>Total Liabilities and Equity</i>	<u><u>\$185,697</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**Old Brooklyn Montessori School
Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Fiscal Year Ended June 30, 1999**

Operating Revenues:

Foundation Payments	\$123,124
Other State Funding	12,294
Other Operating Revenues	<u>6,174</u>
<i>Total Operating Revenues</i>	<u>141,592</u>

Operating Expenses:

Salaries	92,719
Fringe Benefits	18,917
Purchased Services	21,342
Materials and Supplies	8,401
Depreciation	13,872
Other Operating Expenses	<u>28,677</u>
<i>Total Operating Expenses</i>	<u>181,928</u>
Operating Loss	<u>(40,336)</u>

Non-Operating Revenues:

Federal Grants	70,000
Private Grants and Contributions	<u>121,208</u>
<i>Total Non-Operating Revenues</i>	<u>191,208</u>
Net Income	\$150,872
Retained Earnings at Beginning of Year	<u>0</u>
Retained Earnings at End of Year	<u><u>\$150,872</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Old Brooklyn Montessori School
Statement of Cash Flows
For the Fiscal Year Ended June 30, 1999

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$135,418
Cash Payments to Suppliers for Goods and Services	(53,884)
Cash Payments to Employees for Services	(114,018)
Other Operating Revenues	<u>11,684</u>
Net Cash Used for Operating Activities	<u>(20,800)</u>

Cash Flows from Noncapital Financing Activities:

Operating Grants Received	191,208
Proceeds from Operating Loan	<u>25,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>216,208</u>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(87,172)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(87,172)</u>
Net Increase in Cash and Cash Equivalents	108,236
Cash and Cash Equivalents at Beginning of Year	<u>0</u>
Cash and Cash Equivalents at End of Year	<u>\$108,236</u>

The accompanying notes to the financial statements are an integral part of this statement.

Old Brooklyn Montessori School
Statement of Cash Flows
For the Fiscal Year Ended June 30, 1999
(Continued)

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

Operating Loss (40,336)

**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities:**

Depreciation	13,872
Changes in Current Assets and Liabilities:	
(Increase) in Accounts Receivable	(1,557)
(Increase) in Prepaid Expenses	(2,604)
Increase in Accounts Payable	2,630
Increase in Interest Payable	1,685
Increase in Deferred Revenue	5,510
Total Adjustments	19,536
Net Cash Used for Operating Activities	(20,800)

The accompanying notes to the financial statements are an integral part of this statement.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

I. Description of the School and Reporting Entity

Old Brooklyn Montessori School ("OBMS") is a nonprofit corporation established February 3, 1997 pursuant to Ohio Revised Code Chapter 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under § 501(c)(3) of the Internal Revenue Code. OBMS, which is part of Ohio's education program, is independent of any school district. OBMS may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of OBMS.

A proposal was initially forwarded to the Ohio Department of Education by OBMS on April 9, 1998 to open a community school in the fall of 1998. The Ohio Department of Education approved the proposal and entered into a contract with OBMS which provided for the commencement of operations at the beginning of the 1998 - 99 school year. OBMS 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 OBMS's tax-exempt status.

OBMS operates under a seven-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualification of teachers. During fiscal year 1999, the Board of Trustees controlled OBMS' one instructional facility staffed by one non-certified and one certificated full time teaching personnel who provided services to 30 students.

II. Summary of Significant Accounting Policies

The financial statements of OBMS 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. OBMS also applies Financial Accounting Standards Board ("FASB") statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of OBMS' accounting policies are described below.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Summary of Significant Accounting Policies (Continued)

1. Basis of Presentation

Enterprise Accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (*i.e.*, net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (*e.g.*, revenues) and decreases (*e.g.*, expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Summary of Significant Accounting Policies (Continued)

3. Cash and Cash Equivalents

All monies received by OBMS are deposited in the name of OBMS at Firststar bank. For presentation on the balance sheet and statement of cash flows, investments with an original maturity of three months or less are considered cash equivalents.

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999 are recorded as prepaid items. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. As of June 30, 1999, OBMS had prepaid items totaling \$2,604.

5. Fixed Assets and Depreciation

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. OBMS does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over their estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets. All items with a useful life of one year or greater were capitalized, regardless of amount.

<u>Fixed Asset Classification</u>	<u>Years</u>
Leasehold Improvements	5
Furniture and Equipment	10
Computers and Office Equipment	3

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Summary of Significant Accounting Policies (Continued)

6. Intergovernmental Revenues

OBMS currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid Program ("DPIA"), and the State Special Education Program. These programs are recognized as operating revenues in the accounting period in which they were earned and became measurable.

The school also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, OBMS was awarded \$150,000 to offset start-up costs, of which \$50,000 was received in fiscal year 1999. Revenue received from this program is recognized as non-operating revenue on the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

7. Compensated Absences

Vacation is to be taken in a manner which corresponds with the school calendar; therefore, OBMS does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one day per month and cannot be carried into subsequent year. No accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

8. Accrued Liabilities

Obligations such as loans payable, accounts payable and interest payable are reported as liabilities in the accompanying financial statements.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

III. Budgeting

OBMS prepared budgets for submission to the Ohio Department of Education, the sponsor, as required during the application process for approval as a Community School. During fiscal year 1999, the budget was not formally revised by the Board of Trustees. Consequently, revenues and expenditures materially departed from the original budgeted amounts. OBMS also prepares budgets for electronic reporting through the Ohio Department of Education's EMIS system.

IV. Deposits and Investments

At fiscal year end June 30, 1999, the carrying amount of OBMS' deposits was \$108,236 and the bank balance was \$118,728. Of the bank balance, \$100,000 was covered by federal depository insurance and \$18,728 was uninsured and uncollateralized

V. Receivables

Receivables at June 30, 1999, consisted of a reimbursement due from the School Employees Retirement System of Ohio for deposit overpayments. This receivable was subsequently received in the next fiscal year.

VI. Fixed Assets

A summary of OBMS' fixed assets at June 30, 1999, follows:

➤ Furniture and Equipment	\$ 43,903
➤ Leasehold Improvement	\$ 43,269
➤ Less Accumulated Depreciation	<u>(\$ 13,872)</u>
NET FIXED ASSETS	<u>\$ 73,300</u>

There was no significant construction in progress at June 30, 1999.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

VII. Risk Management

1. Property and Liability

OBMS 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 Fiscal Year 1999, OBMS contracted with Cincinnati Insurance Company for all of its' insurance needs.

General liability is covered at \$1,000,000 single occurrence limit and \$5,000,000 aggregated. Hired and Non-Owned Vehicles are covered at \$1,000,000 combined single limit of liability. Other coverage includes Directors and Officers, Employee Crime, Sexual Abuse and Misconduct, Electronic Data Processing and Business Interruption.

2. Workers' Compensation

OBMS pays the Ohio Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor of 0.024797.

3. Employee Medical, Dental, and Vision Benefits.

OBMS provided for the reimbursement of medical insurance benefits paid by employees.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

VIII. Defined Benefit Pension Plans

1. School Employees Retirement System

OBMS contributes to the School Employees Retirement System of Ohio ("SERS"), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 N. 4th St., Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and OBMS is required to contribute 14%. For fiscal year 1999, 7.7% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates are determined annually. OBMS' contribution to SERS for the Fiscal Year Ended June 30, 1999, was \$3875. All contributions for Fiscal Year 1999 were paid prior to year end.

2. State Teachers Retirement System

OBMS contributes to the State Teachers Retirement System of Ohio ("STRS"), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Defined Benefit Pension Plans (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and OBMS is required to contribute 14%. The portion used to fund pension obligations was 12%. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. OBMS' contribution to STRS for the Fiscal Year Ended June 30, 1999, was \$11,105. All contributions for fiscal year 1999 were paid prior to year end.

3. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 1999, OBMS has no employees or members of the governing board, who contribute to Social Security.

IX. Post-Employment Benefits

OBMS provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. As of June 30, 1999, the board allocates employer contributions equal to 8% percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For OBMS, this amount equaled \$6341 during fiscal year 1999.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Post-Employment Benefits (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For this fiscal year, employer contributions used to fund health care benefits were 6.3% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. For OBMS, the amount to fund health care benefits, including surcharge, equaled \$3244.

X. Other Employee Benefits

Compensated Absences. The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees are allowed vacation when school is not in session. Teachers and administrators who are not on a twelve month contract do not earn vacation time. Sick leave may not be accumulated past the fiscal year end in which it is earned.

XI. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portion of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's school foundation program which provides significant amounts of monetary support to OBMS. During the Fiscal Year Ended June 30, 1999, the School District received \$135,418 of school foundation support for its operations.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

State School Funding Decision (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of March 30, 1999, The Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, OBMS is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

XII. Contingencies

1. Grants

OBMS received financial assistance from Federal and State agencies as well as private organizations in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit or review by the grantor agencies. Any disallowed claims resulting from such audits or reviews could become a liability of OBMS. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of OBMS at June 30, 1999.

2. Litigation

OBMS is not a party to any legal proceedings at this time.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

XIII. Related Party

During Fiscal Year 1999, OBMS entered into a three year loan agreement in the amount of \$25,000 with the Montessori Teacher Education Collaborative (MTEC), an organization which is operated by a Board Member. Interest on this loan was variable based on prime rates. The financial statements at fiscal year end reflect a payable in the amount of \$1,685 for accumulated interest as well as a Loan Payable in the amount of \$25,000. Although the principal was not due until August 24, 2001, all interest and principal on this loan have been paid off in the subsequent fiscal year.

In addition to the loan, MTEC, as well as affiliated organizations Montessori Development Partnerships and North American Montessori Teacher Association (MDP and NAMTA) provided management and financial accounting services for OBMS during its initial operating year. The management services of the OBMS Board Member were provided to OBMS at no cost. Reimbursements totaling \$36,791 were made to MTEC, MDP and NAMTA by OBMS during fiscal year 1999. Of this amount, \$27,586 was paid for the purchase of classroom materials and supplies which had been facilitated by the credit standing of these organizations. The remaining amount of \$9,205 was paid to reimburse direct, out of pocket expenses, including bookkeeping services.

The agreement with MTEC expired on June 30, 1999, at which time OBMS assumed full responsibility for their management and financial accounting requirements. A payable of \$1,730 to MDP as of June 30, 1999 is included in the accounts payable balance in the financial statements.

During fiscal year 1999, OBMS also received a grant in the amount of \$500 from the Old Brooklyn Community Development Corporation, which is an organization operated by a Board Member. In addition, OBMS received a grant of \$1000 from another Board Member which was to be used to purchase gym equipment for OBMS. The gym equipment was purchased during fiscal year 1999 as required by the donor.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

XIV. Start-Up Funding

OBMS was awarded a total of \$150,000 in federal grants payable over three years and restricted for start-up funding, of which \$50,000 was received in fiscal year 1999 (See note II) . These monies, along with other grants received from both private and public sources, were used for the purchase of classroom materials and furniture and for leasehold improvements of classrooms and office spaces. These grants were recorded as non-operating revenue in the accompanying financial statements. All funds were used during the year, so there was no remaining balance at year end.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Trustees
Old Brooklyn Montessori School
Cuyahoga County
4216 Pearl Road
Cleveland, Ohio 44109

We have audited the financial statements of the Old Brooklyn Montessori School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 1999 and have issued our report thereon dated March 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

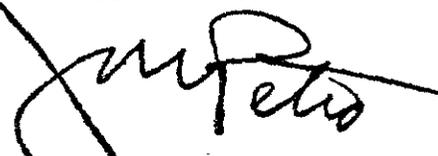
Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the School in a separate letter dated March 30, 2000.

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.


Jim Petro
Auditor of State

March 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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OLD BROOKLYN MONTESSORI SCHOOL
CUYAHOGA 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.

By: Susan Babbitt

Date: MAY 17 2000