



**Auditor of State
Betty Montgomery**

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
YouthBuild Columbus Community School
Franklin County
1183 Essex Avenue
Columbus, OH 43215

We have audited the accompanying Balance Sheet of the YouthBuild Columbus Community School, Franklin County, Ohio (the School) as of June 30, 2002 and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows for the year ended June 30, 2002. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 YouthBuild Columbus Community School, Franklin County, as of June 30, 2002, and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2003 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards receipts and expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

March 20, 2003

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**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2002**

Assets

Current Assets

Cash	\$ 146,007
Due from Other Governments	<u>13,255</u>
Total Current Assets	159,262

Non-Current Assets

Rent Deposit	1,500
Property and Vehicle	400,649
Construction In Progress	<u>56,737</u>
Total Non-Current Assets	458,886

Total Assets	<u><u>618,148</u></u>
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Liabilities and Fund Equity

Current Liabilities

Accounts Payable	54,928
Accrued Wages and Benefits	28,375
Compensated Absences Payable	2,148
Interest Payable	2,080
Intergovernmental Payable	<u>37,334</u>
Total Current Liabilities	124,865

Long-Term Liabilities

Notes Payable	<u>249,149</u>
Total Long-Term Liabilities	249,149

Total Liabilities	374,014
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Equity

Retained Earnings	<u>244,134</u>
Total Equity	244,134
Total Liabilities and Equity	<u><u>\$ 618,148</u></u>

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

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2002**

<u>Operating Revenues</u>	
Foundation Payments	\$ 287,800
Miscellaneous Operating Revenues	<u>29,672</u>
Total Operating Revenues	317,472
<u>Operating Expenses</u>	
Salaries	286,911
Fringe Benefits	85,563
Supplies and Materials	21,437
Purchased Services	69,877
Other Expense	<u>9,571</u>
Total Operating Expenses	473,359
Operating Income (Loss)	(155,887)
<u>Non-Operating Revenues and (Expenses)</u>	
Federal Grants	351,000
State Grants	3,000
Interest Income	1,653
Interest Expense	<u>(2,080)</u>
Total Non-Operating Revenues and (Expenses)	353,573
Net Income	197,686
Retained Earnings at Beginning of Year	<u>46,448</u>
Retained Earnings at the End of Year	<u><u>\$ 244,134</u></u>

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

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002**

Increase (Decrease) in Cash

Cash Flows from Operating Activities

Cash Received from the State of Ohio	\$ 287,800
Cash Received from Other Sources	29,672
Cash Payments to Suppliers for Goods and Services	(36,387)
Cash Payments to Employees for Services	(304,617)
Cash Payments for Other Operating Uses	<u>(9,570)</u>
Net Cash Provided from Operating Activities	<u>(33,102)</u>

Cash Flows provided by Noncapital Financing Activities

Cash Received from Federal Grants	337,745
Cash Received from State Grants	3,000
Cash Payments for Rent Deposits	<u>(1,500)</u>
Net Cash Provided by Noncapital Financing Activities	<u>339,245</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Notes Payable	249,149
Payments for Capital Acquisitions	<u>(457,386)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(208,237)</u>

Cash Flows from Investing Activities

Interest	<u>1,653</u>
Net Cash Used for Investing Activities	<u>1,653</u>

Net Increase in Cash	99,559
Cash at Beginning of Year	<u>46,448</u>
Cash at End of Year	<u><u>\$ 146,007</u></u>

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

(Continued)

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

**Reconciliation of Operating Loss to Net
Cash Provided by Operating Activities**

Operating Income (Loss)	\$ (155,887)
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**Adjustments to Reconcile Operating Loss to Net
Cash Provided by Operating Activities**

Changes in Assets and Liabilities:

(Increase)/Decrease in Due from Other Governments	(13,255)
Increase/(Decrease) in Accounts Payable	54,928
Increase/(Decrease) in Accrued Wages Benefits	28,375
Increase/(Decrease) in Compensated Absences Payable	2,148
Increase/(Decrease) in Intergovernmental Payable	37,334
Increase/(Decrease) in Interest Payable	2,080
Total Adjustments	<u>122,785</u>

Net Cash Provided by Operating Activities	<u><u>\$ (33,102)</u></u>
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The accompanying notes are an integral part of the financial statements.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE ENTITY

YouthBuild Columbus Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objectives are to carry out the academic training component of the YouthBuild Columbus program, to advance underserved youth through education, job training, personal development, leadership development, and community service. The YouthBuild Columbus program helps dropouts from traditional high schools in a year-round program that enables students to gain employable skills by building and rehabilitating houses in Columbus' Empowerment Zone that are sold to low-income families. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation on June 14, 2001 under a contract by and between the Ohio Department of Education (ODE), as Sponsor, and the Governing Authority of YouthBuild Columbus Community School. The School commenced official operation on July 1, 2001. Preliminary activity in the startup of the School resulted in a beginning balance of \$46,448. The five-member 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. The Board controls the School's principal, two full time non-certified staff, and four certified full time teaching personnel who provide services to approximately 124 students during the school year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Community School also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School does not apply FASB Statements or Interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School uses enterprise accounting to report on its financial activities. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent 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.

B. Measurement Focus/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 balance sheet.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

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 and 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.

Revenues resulting from exchange transactions are recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the School receives value without directly giving equal value in return, include grants, and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been met.

C. Budgetary Process

Unlike other 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 in the School's contract with its Sponsor. The contract between the School and the Sponsor does not prescribe an annual budget requirement, but sets forth a requirement to submit a fiscal year spending plan.

D. Cash

All monies received by the School are pooled and deposited in an account in the School's name.

E. 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 fair value on the date received. The School maintains a capitalization threshold of one thousand dollars. The School 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. There were no improvements to fixed assets during the audit period. The School does not capitalize interest.

Depreciation expense for a vehicle purchased is not significant and was not recorded. The School's other assets, a building and related land, were not ready for use as of June 30, 2002 and, therefore, were not depreciated.

The following is the estimated useful lives for property and vehicles.

<u>Asset</u>	<u>Useful Life</u>
Property	45 years
Vehicles	2 years

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements 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 fiscal year when use is first permitted, matching requirements, in which the school must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

The School also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, the School was awarded \$200,000 during the fiscal year to be used for certain expenses as described in the grant agreement. As of June 30, 2002, the School used \$65,468 for salaries, benefits, and various supplies and materials.

The School received a \$50,000 State of Ohio Sub-Grant from the Ohio Department of Education to be used for salaries, benefits, and other miscellaneous expenses prior to the fiscal year. The School spent \$4,831 prior to the fiscal year and \$43,452 during the fiscal year.

The School received \$300,000 of Federal Empowerment Zone Block Grants from the Columbus Compact Corporation. The \$300,000 was used to purchase land and a building which is being renovated and is scheduled to open at the end of January 2003.

Revenues received from the Federal Charter School Grant, the State of Ohio Sub-Grant, and the Empowerment Zone Block Grant programs are recognized as non-operating revenue in the accompanying financial statements.

G. Compensated Absences

Leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to the employee being employed by the School. Unused personal leave is paid out at 100% of the employee's current pay rate at the end of the school year. Sick and vacation leave benefits must be used during the school year and do not accrue.

H. Long Term Liabilities

Long-term liabilities are those due more than one year after the balance sheet date.

I. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

3. CASH

At June 30, 2002, the carrying amount of the School's deposits was \$146,007 and the bank balance was \$155,697. The total bank balance was insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The remaining balance was uncollaterized.

4. FIXED ASSETS

The following is a summary of changes in the fixed assets during the fiscal year:

	Balance 7/1/01	Additions	Deletions	Balance 6/30/02
Building	\$ -	399,149	-	\$399,149
Vehicle	-	1,500	-	1,500
Construction In Progress	-	56,737	-	56,737
Total Fixed Assets	\$ -	\$457,386	-	\$457,386

Depreciation expense for a vehicle purchased is not significant and was not recorded. The School's other assets, a building and related land, were not ready for use as of June 30, 2002 and, therefore, were not depreciated.

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For fiscal year 2002, the School contracted with Indiana Insurance Company for property and general liability insurance. The property insurance limits are \$1,000 deductible and \$385,000 aggregate. The general liability insurance limits are \$1,000,000 each occurrence and \$2,000,000 aggregate.

B. Worker's Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 E. Broad Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2002 was \$4,499; 0% has been contributed. As of June 30, 2002, the School's liability to SERS was \$11,535, of which \$4,499 was for pension obligations.

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3% of their annual covered salaries. The School was required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The School's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2002 was \$17,156; 44% has been contributed for fiscal year 2002. As of June 30, 2002, the School's liability to STRS was \$14,111, of which \$9,575 was for pension obligations.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

7. POST-EMPLOYMENT BENEFITS

The School 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$8,127 for fiscal year 2002; 44% has been contributed. As of June 30, 2002, the School's liability to STRS was \$14,111, of which \$4,536 was for health care benefits.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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% 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 the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54% percent 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 2002, the minimum pay was established at \$12,400. The School's required contributions to fund health care benefits, during the 2002 fiscal year equaled \$7,036. No surcharge was required from the School. As of June 30, 2002, the School's liability to SERS was \$11,535, of which \$7,036 was for health care benefits.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

8. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining paid time off are derived from policies approved by the Board of Trustees. Full-time employees receive two personal days at the beginning of the school year. The personal leave is non-accumulative. Unused personal leave is paid out at 100% of the employee's current pay rate at the end of the school year. Sick leave must be used during the school year, is non-accumulative, and is not paid out at the end of the school year. Permanent, year-round employees are entitled to annual vacation leave which is granted on June 1 of each subsequent year of employment and is based on the employee's service years. The vacation leave is non-accumulative and must be taken between the close of the regular school year and the beginning of the next. Upon separation from employment, employees are entitled to compensation at their current rate of pay for all unused vacation leave, prorated to reflect the pay periods worked. No compensated absence liability has been reported for vacation leave because as of the date of this report, the leave benefits were not used during the required time period.

B. Medical, Dental Benefits

The Buckeye Community Hope Foundation (BCHF) has contracted with Medical Mutual of Ohio for a group medical policy for full-time employees of YouthBuild. YouthBuild reimburses BCHF for the benefits paid. Dental insurance is provided by American General. All full-time employees are eligible to select coverage under this plan, once they have been employed by the school for thirty days. Currently, BCHF pays 100% of each employee's individual and/or family premium. Premiums are determined by Medical Mutual of Ohio.

9. PURCHASED SERVICES

For the period July 1, 2001 through June 30, 2002, purchased service expenses were for the following services:

Professional and Technical Services	\$17,755
Communications	15,008
Utilities	312
Travel Mileage/Meeting Expense	5,431
Rent	30,639
Contracted Craft or Trade Services	242
Pupil Transportation	<u>490</u>
Total Purchased Services	<u>\$69,877</u>

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

10. TAX EXEMPT STATUS

The School completed its application and filed for tax exempt status under 501c3 of the Internal Revenue Code and was approved for tax exempt status on May 21, 2002. Management is not aware of any course of action or series of events that have occurred that might adversely affect the School's tax-exempt status.

11. LONG-TERM LIABILITIES

A summary of long-term obligations for the year ended June 30, 2002, is as follows:

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Columbus Compact Corp.	\$-	\$150,000	-	\$150,000
Bank One	-	99,149	-	99,149
Total	\$-	249,149	-	\$249,149

On April 30, 2002, the School entered into a promissory note with Columbus Compact Corporation in the amount of \$150,000 and a temporary draw note of \$99,149 with Bank One for the purpose of acquiring land and a building to be used for the School.

Columbus Compact Corporation - The repayment of the principal on this note is deferred for five years. The note has a 4% interest rate and interest accrues during the deferment period. Interest payments are to be made in semi-annual payments during the term of deferment beginning on December 31, 2002. At the end of the five year deferment period, the loan will be amortized over 15 years, with a balloon payment due in the final year of the loan.

Bank One - This temporary draw note in the amount of \$99,149 with a 6.5% interest rate became part of a permanent draw note in the amount of \$586,445 on July 3, 2002. The permanent draw note will convert to a construction note once renovations on the building are completed. The School has until April 3, 2003 to request advances (draws) under the permanent note. Monthly interest payments are required during the draw period. The School will begin paying monthly installments of principal and interest on May 3, 2003 after the permanent draw note is finalized. A final payment is due April 3, 2010.

Amortization of the Columbus Compact Corporation note is as follows:

Fiscal year Ending June 30,	Principal	Interest	Total
2003	\$0	\$7,000	\$7,000
2004	0	6,000	6,000
2005	0	6,000	6,000
2006	0	6,000	6,000
2007	1,720	5,500	7,220
2008 - 2012	40,641	25,932	66,573
2013 - 2014	107,639	7,361	115,000
Total	\$150,000	\$63,793	\$213,793

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

12. RELATED ORGANIZATION

The School is a related organization to Buckeye Community Hope Foundation (BCHF). BCHF appoints all five members of the YouthBuild Columbus Community School Board. Three of the Board members of YouthBuild Columbus Community School Board are also employed by BCHF. BCHF does not impose its will on the School Board. The School's accountability to BCHF ceases with the BCHF's appointments to the School Board. The School Board sets its own budget, hires/terminates personnel, and authorizes all expenditures. A summary of related party transactions between the School and BCHF for the fiscal year 2002 follows:

Receipts from BCHF for a portion of Vocational Training Teacher's Salary	\$28,265
Payments to BCHF for medical, dental, and disability insurance (See Note 8b)	\$39,305
Earnest money paid by BCHF to H.C. Bland Realty Company for the purchase of the Essex building	5,000

13. OPERATING LEASE

The School entered into a lease agreement for the use of property with The Community Arts Project. The premises shall be used for classrooms, offices, computer learning lab, and a multi-purpose room. The lease commenced August 22, 2001 and terminates on June 6, 2003. The monthly rental charge is \$3,000, which is payable the 21st of each month. In addition, the School has access to two offices being leased from June 4 through August 21, 2002 for a monthly rental charge of \$1,200.

14. CONTINGENCIES

A. Grants

The School received 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 School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2002.

B. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

14. CONTINGENCIES (Continued)

C. OHIO DEPARTMENT OF EDUCATION ENROLLMENT REVIEW

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. The fiscal year 2002 review resulted in the discovery of an overpayment to the School in the amount of \$203. This amount has not been reflected as a liability and will be paid during fiscal year 2003.

D. LITIGATION

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state constitution and state laws. The effect of this suit, if any, on the School is not presently determinable.

15. RETAINED EARNINGS

The School received \$50,000 from the Ohio Department of Education to off set start-up costs and \$910 from Buckeye Community Hope Foundation prior to the beginning of the fiscal year. The School incurred miscellaneous expenses of \$4,840 and interest receipts of \$378 resulting in beginning Retained Earnings of \$46,448 as of July 1, 2001.

16. SUBSEQUENT EVENTS

On July 3, 2002, the School entered into a promissory note with Bank One in the amount of \$586,444.50. The note matures on April 3, 2003 (the "Draw Period"). The School may request advances under this note during the Draw Period. The School will begin paying monthly installments of principal and interest on May 3, 2003, based upon on the total amount of advances received under the promissory note. The note converts to a permanent construction note once the renovations to the Essex Avenue building are completed.

The School entered into a contract on July 22, 2002 with the Di Cesare Company for renovation of the Essex Avenue building. The sum of the cost of the work and the contractor's fee are guaranteed by the contractor not to exceed \$661,220.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed Through City of Columbus</i>				
<i>Passed Through Columbus Compact Corporation</i>				
Empowerment Zones Program	DL000560	14.244	\$ 300,000	\$ 300,000
Total U. S. Department of Housing and Urban Development			<u>300,000</u>	<u>300,000</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Charter Schools	132985-CH-S1-01	84.282	50,000	36,646
(132985-CH-S1-02		<u>150,000</u>	<u>28,822</u>
Total U. S. Department of Education			<u>200,000</u>	<u>65,468</u>
Total Federal Awards			<u>\$ 500,000</u>	<u>\$ 365,468</u>

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

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

FOR THE YEAR ENDED JUNE 30, 2002

NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the School's federal award programs. The schedule has been prepared on the cash basis of accounting.



**Auditor of State
Betty Montgomery**

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

Board of Trustees
YouthBuild Columbus Community School
Franklin County
1183 Essex Avenue
Columbus, OH 43215

We have audited the financial statements of the YouthBuild Columbus Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2002, and have issued our report thereon dated March 20, 2003. 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.

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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-10625-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School in a separate letter dated March 20, 2003.

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 matters involving internal controls over financial reporting that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated March 20, 2003.

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Board of Trustees
YouthBuild Columbus Community School
Franklin County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, the Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

March 20, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
YouthBuild Columbus Community School
Franklin County
1183 Essex Avenue
Columbus, OH 43215

Compliance

We have audited the compliance of YouthBuild Columbus Community School, Franklin County, Ohio (the School), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to its' major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Trustees, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

BETTY MONTGOMERY
Auditor of State

March 20, 2003

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Empowerment Zones Program, CFDA 14.244
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2002**

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

Fining Number 2002-10625-001

Material Noncompliance

Ohio Rev. Code Section 3314.08(J)(1) states a community school may borrow money to pay any necessary and actual expenses of the school in anticipation of the receipt of any portion of the payments to be received by the school pursuant to division (D) of this section. The school may issue notes to evidence such borrowing to mature no later than the end of the fiscal year in which such money is borrowed. The proceeds of the notes shall be used only for the purposes for which the anticipated receipts may be lawfully expended by the school.

The School received a \$150,000 deferred loan/note from Columbus Compact Corporation which the principal payments are deferred for five years, at which time the loan will be amortized over 15 years, with a balloon payment due at the end of the 7th year of the loan.

Failure to adhere to the above Ohio Revised Code Section could jeopardize the amount of state funding received.

We recommend the School review the Ohio Revised Code prior to entering into debt agreements. The School should ensure debt issuances are permitted by Ohio law.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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YOUTHBUILD COLUMBUS COMMUNITY SCHOOL

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
APRIL 15, 2003**