INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007

Mary Taylor, CPA
Auditor of State

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY

TABLE OF CONTENTS

THIS PAGE INTENTIONALLY LEFT BLANK

Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

International Academy of Ohio
D/B/A International Academy of Columbus
Franklin County
1201 Schrock Court
Columbus, Ohio 43229

To the Board of Directors:

We have audited the accompanying basic financial statements of the International Academy of Ohio, D/B/A International Academy of Columbus, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Because of inadequacies in the Academy's bank reconciliations and accounting records, we were unable to obtain sufficient evidence to support cash recorded in the statement of net assets and the statement of cash flows. The unreconciled bank balance was more than the book balance by $16,793 at June 30, 2007.

In our opinion, except for the effects of such adjustments as might have been determined to be necessary had we been able to obtain sufficient evidence to support the recorded balance for cash as described in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the International Academy of Ohio, D/B/A International Academy of Columbus, Franklin County, Ohio, as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 6, 2009

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The discussion and analysis of the International Academy of Ohio, D/B/A International Academy of Columbus' (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets were $165,302 at June 30, 2007.
- The Academy had operating revenues of $1,472,439, operating expenses of $1,833,349, non-operating revenues of $311,686 and non-operating expenses of $69 for fiscal year 2007. Total change in net assets for the fiscal year was a decrease of $49,293.

Using these Basic Financial Statements

This annual report consists of Management's Discussion and Analysis, the basic financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities and financial position. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Change in Net Assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Change in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses and Change in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-22 of this report.

The table below provides a summary of the Academy's net assets for fiscal years 2007 and 2006.

Net Assets

	2007	2006
Assets		
Current assets	$ 299,932	$ 383,516
Capital assets, net	57,271	89,724
Total assets	357,203	473,240
Liabilities		
Current liabilities	191,901	258,645
Total liabilities	191,901	258,645
Net Assets		
Invested in capital assets	57,271	85,426
Restricted	81,412	70,533
Unrestricted	26,619	58,636
Total net assets	$ 165,302	$ 214,595

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Academy's net assets totaled $165,302. The overall decrease in capital assets of $32,453 is primarily due to depreciation expense. This decrease in capital assets is the primary reason for the decrease in invested in capital assets.

Current assets decreased by 22%, primarily due to a decrease in cash and cash equivalents in the amount of $44,417 and a decrease in intergovernmental receivable of $65,628. This decrease was related to the Academy's operating loss of $360,910 in fiscal year 2007, due to a decrease in student enrollment and State Foundation revenues. At fiscal year-end, capital assets represented 16.03% of total assets. Capital assets include two modular classroom buildings, leasehold improvements and furniture and equipment. Capital assets, net of accumulated depreciation at June 30, 2007, were $57,271. These capital assets are used to provide services to the students and are not available for future spending. A portion of the Academy's net assets, $81,412, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of $26,619 may be used to meet the Academy's ongoing operations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)
(Continued)**

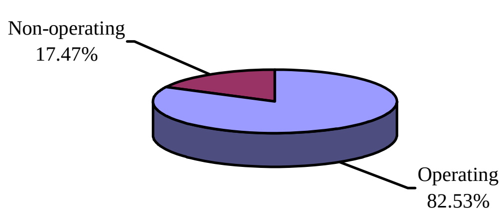
The table below shows the changes in net assets for fiscal years 2007 and 2006.

Change in Net Assets

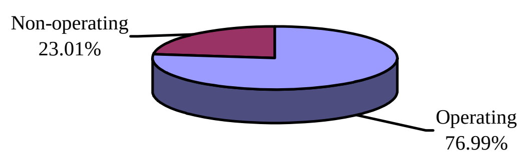
	2007	2006
Operating Revenues:		
State foundation	$ 1,461,329	$ 1,533,891
Charges for services	5,959	2,566
Other	5,151	8,954
Total operating revenue	1,472,439	1,545,411
Operating Expenses:		
Personal services	907,849	1,022,092
Fringe benefits	247,938	323,088
Purchased services	530,914	553,906
Materials and supplies	65,618	145,091
Depreciation	37,942	85,165
Other	43,088	31,491
Total operating expenses	1,833,349	2,160,833
Non-operating Revenues/(Expenses):		
Grants	299,698	454,437
Other non-operating expenses	(69)	(2,737)
Other non-operating revenue	11,988	7,463
Total non-operating revenues (expenses)	311,617	459,163
Change in net assets	(49,293)	(156,259)
Net assets at beginning of year	214,595	370,854
Net assets at end of year	$ 165,302	$ 214,595

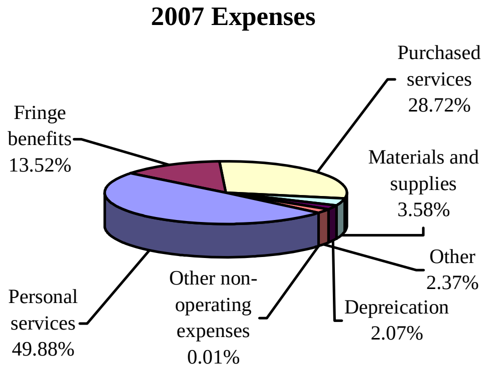
The charts below illustrate the revenues and expenses for the Academy during fiscal years 2007 and 2006.

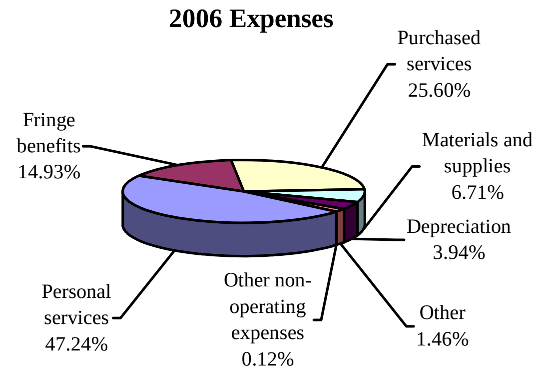
2007 Revenues



2006 Revenues







Total revenues for fiscal years 2007 and 2006 were $1,784,125 and $2,007,311, respectively. State Foundation revenues decreased by $72,562 in fiscal year 2007 due to a decrease in student enrollment. Non-operating grant revenue decreased in fiscal year 2007 by $154,739, also due a decrease in student enrollment.

Total expenses for fiscal years 2007 and 2006 were $1,833,418 and $2,163,570, respectively. Depreciation expense decreased by $47,223 in fiscal year 2007 due to some of the Academy's capital assets still being used, even though they were fully depreciated.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the Academy had $57,271 in capital assets, net of depreciation, consisting of two modular classroom buildings, leasehold improvements and furniture and equipment. The following table shows fiscal year 2007 balances compared to fiscal year 2006:

Capital Assets at June 30
(Net of Depreciation)

	2007	2006
Modular classroom building	$ 65,054	$ 65,054
Leasehold improvements	322,866	322,866
Furniture and equipment	75,142	69,653
Accumulated depreciation	(405,791)	(367,849)
Total	$ 57,271	$ 89,724

The overall decrease in capital assets is $32,453, due primarily to depreciation expense.

See Note 6 to the basic financial statements for additional information on the Academy's capital assets.

Debt Administration

The Academy had capital lease obligations for two modular classroom buildings. During fiscal year 2007, the Academy made principal and interest payments of $4,298 and $69, respectively. This lease obligation was paid off during fiscal year 2007.

Budgeting Highlights

Community schools in Ohio are exempt from appropriations law, but are required to submit a financial forecast.

Current Financial Related Activities

Enrollment has decreased to 193 students in fiscal year 2007. This is a 19.59 percent decrease in student enrollment. Management and the Board intend to continue their good stewardship of public funds by keeping appropriate levels of working capital and net assets. The current level of net assets is about 11 percent of operating revenues for fiscal year 2007. The Academy must continue to look for ways to increase its efficiency and effectiveness. As described in the previous pages, the Academy has limited means to increase its revenue relative to traditional school districts. Community schools cannot seek additional funds through the passage of tax levies and are limited to the per pupil revenue given to it. As such, the Academy must constantly monitor budgets and develop revenue models to accurately anticipate changes in funding and timing of cash.

Contacting the Academy's Financial Management

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Barbara E. Henry, Treasurer, 1201 Schrock Court, Columbus, Ohio 43229.

THIS PAGE INTENTIONALLY LEFT BLANK

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets:		
Current assets:		
Cash and cash equivalents	$	224,483
Receivables:		
Security deposit		10,500
Intergovernmental		36,599
Prepayments		28,350
Total current assets		299,932
Non-current assets:		
Capital assets, net		57,271
Total assets		357,203
Liabilities:		
Current:		
Accounts payable		9,600
Accrued wages and benefits		126,789
Intergovernmental payable		55,512
Total liabilities		191,901
Net Assets:		
Invested in capital assets		57,271
Restricted for:		
Title I Program		25,442
Other purposes		55,970
Unrestricted		26,619
Total net assets	$	165,302

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Operating revenues:	
State foundation	$ 1,461,329
Charges for services	5,959
Other	5,151
Total operating revenues	1,472,439
Operating expenses:	
Personal services	907,849
Fringe benefits	247,938
Purchased services	530,914
Materials and supplies	65,618
Depreciation	37,942
Other	43,088
Total operating expenses	1,833,349
Operating loss	(360,910)
Non-operating revenues (expenses):	
State and federal grants	299,698
Interest income	10,494
Interest expense	(69)
Interest on loan to Westside Academy	1,494
Total non-operating revenues (expenses)	311,617
Change in net assets	(49,293)
Net assets at beginning of year	214,595
Net assets at end of year	$ 165,302

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:		
Cash received from State foundation	$	1,460,637
Cash received from sales/charges for services		5,959
Cash received from other operations		7,040
Cash payments to employees for services		(916,716)
Cash payments for employee benefits		(260,914)
Cash payments to suppliers for goods and services		(567,222)
Cash payments for materials and supplies		(98,263)
Cash payments for other expenses		(43,088)
Net cash used in operating activities		(412,567)
Cash flows from noncapital financing activities:		
State and federal grants		366,018
Net cash provided by noncapital financing activities		366,018
Cash flows from capital and related financing activities:		
Principal payments - capital lease		(4,298)
Interest payments - capital lease		(69)
Acquisition of capital assets		(5,489)
Net cash used in capital and related financing activities		(9,856)
Cash flows from investing activities:		
Interest received		10,494
Cash used for loan disbursement		(50,000)
Principal payment received on loan		50,000
Interest received on loan		1,494
Net cash provided by investing activities		11,988
Net decrease in cash and cash equivalents		(44,417)
Cash and cash equivalents at beginning of year		268,900
Cash and cash equivalents at end of year	$	224,483
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$	(360,910)
Adjustments:		
Depreciation		37,942
Changes in assets and liabilities:		
Increase in intergovernmental receivable		(692)
Decrease in accounts receivable		1,889
Increase in prepayments		(28,350)
Decrease in accounts payable		(30,689)
Decrease in accrued wages and benefits		(8,867)
Decrease in intergovernmental payable		(22,890)
Net cash used in operating activities	$	(412,567)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY LEFT BLANK

NOTE 1 - DESCRIPTION OF THE ACADEMY

The International Academy of Ohio, D/B/A International Academy of Columbus (the “Academy”) is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to maintain and provide a school exclusively for educational, literary, scientific, and related teaching service that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Specifically, the Academy’s purpose is to be a model charter school serving children from kindergarten through grade seven. The Academy, which is part of the State’s education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy’s tax exempt status.

The creation of the Academy was initially proposed to the Ohio Department of Education (the “Sponsor”) by the developers of the Academy in July 2000. The Sponsor approved the proposal and entered into a contract with the developers, which provided for the commencement of the Academy’s operations on May 31, 2002 for a period of five years. Also, on May 31, 2002, the Ohio Department of Education assigned the sponsor contract to the Lucas County Educational Service Center (LCESC). On September 1, 2005, the LCESC assigned the sponsor contract to the Buckeye Community Hope Foundation.

The Academy operates under a self-appointed seven-member Board of Directors, which is comprised of a variety of community leaders, including the developers. 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, admissions standards, and qualifications of teachers. The Board of Trustees controls the Academy’s one instructional facility staffed by 17 full time non-certified personnel, and 18 certificated full-time teaching personnel who provide services to approximately 193 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 Academy also applied Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB Statements and Interpretations issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB Statements and Interpretations. The Academy's significant accounting policies are described below.

A. Basis of Presentation

The Academy’s basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and change in net assets; and a statement of cash flows.

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) 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

A. Basis of Presentation (Continued)

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

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 associated with the operation of the Academy are included on the statement of net assets. The statement of revenues, expenses, and change in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows reflects how the Academy's finances meet its cash flow needs.

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 utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Pursuant to Ohio Revised Code Chapter 5705.391, the Academy prepares an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures.

D. Cash and Cash Equivalents

Cash and investments held by the Academy are reflected as "cash and cash equivalents" on the Statement of Net Assets. All monies received by the Academy were deposited in a demand deposit account or an overnight sweep account.

E. Capital Assets and Depreciation

All capital assets were capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets were recorded at their fair market values on the date donated. The Academy maintained a capitalization threshold of $1,000. The Academy did not have any infrastructure. Leasehold Improvements were capitalized. The costs of normal maintenance and repairs that did not add to the value of the asset or materially extend an asset's life were not capitalized. Interest incurred during the construction of capital assets is also capitalized. The Academy did not have any capitalized interest during the year.

All capital assets were depreciated. Leasehold Improvements were depreciated over the remaining useful lives of the related capital assets from three to four years. Depreciation was computed using the straight-line method. Furniture and equipment was depreciated over three to ten years. Modular classroom buildings are depreciated over ten years.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their uses through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets are reported as restricted for the Title I Program and for other purposes when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applied restricted resources first when an expense was incurred for purposes for which both restricted and unrestricted net assets were available.

G. Prepaid Items

A prepaid item is an asset that occurs when a vendor is paid for services that will benefit a future accounting period. When items meet these criteria, they are reported as assets on the statement of net assets using the consumption method. Under the consumption method, a current asset for the prepaid amount is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had $28,350 in prepaid rent as of June 30, 2007.

H. Intergovernmental Revenue

The Academy participated in the State Foundation Program through the Ohio Department of Education. Revenue from this program was recognized as operating revenue in the accounting period in which all eligibility requirements had been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

I. Security Deposit

At June 30, 2007, the Academy had a deposit of $10,500 with Busch Properties, Inc., as security for the faithful performance of all lease covenants and conditions of the property leased. The deposit is recorded on the accompanying statement of net assets as a current asset.

J. Operating Revenues and Expenses

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

At June 30, 2007, the carrying amount of the Academy's deposits was $43,865. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, $9,599 of the Academy's bank balance of $171,296 was exposed to custodial risk as discussed below, while $161,697 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits not covered by the FDIC are uncollateralized for the Academy. There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

B. Investments

The Academy's investment at June 30, 2007 consists of a repurchase agreement balance of $197,411 that has a maturity of less than 30 days. The Academy does not have policies regarding interest rate risk or concentration of credit risk.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2007 consisted of intergovernmental (e.g. state and federal grants) receivables. All intergovernmental receivables are considered collectible in full. Below is a summary of receivables due to the Academy:

Foundation	$ 692
Title I	23,837
Title II-A	2,143
Title III	9,230
Title IV-A	697
Total	$ 36,599

NOTE 5 – LOAN AND LINE OF CREDIT

On July 26, 2006, the Academy's Board of Directors approved a start-up loan for $50,000 and a line of credit for $50,000 to the Westside Academy Community School. As part of the line of credit, Westside Academy agreed to pay a four percent service fee on materials and supplies purchased by the International Academy on Westside Academy's behalf. The International Academy did not advance funds to Westside Academy for the line of credit, but rather purchased $50,000 worth of merchandise, turned the merchandise over to Westside Academy, and in return, Westside Academy paid International Academy the $50,000 plus a portion of the four percent owed on the purchases during fiscal year 2007 ($1,494). The remaining portion of the four percent fee is still owed by Westside Academy as of June 30, 2007, in the amount of $592. Separately, regarding the start up loan, Westside Academy agreed to repay the loan in six months. In November 2006, the repayment of the loan was extended to June 2007. This interest free loan was then repaid in its entirety on June 25, 2007.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at July 1, 2006	Additions	Disposals	Balance at June 30, 2007
Modular classroom buildings	$ 65,054	$ -	$ -	$ 65,054
Leasehold improvements	322,866	-	-	322,866
Furniture and equipment	69,653	5,489	-	75,142
Less: accumulated depreciation	(367,849)	(37,942)	-	(405,791)
Capital assets, net	$ 89,724	$ (32,453)	$ -	$ 57,271

NOTE 7 - OPERATING LEASES

The Academy leases a building under a cancelable operating lease.

The building lease ends June 30, 2012. At the expiration or earlier termination of the tenancy, the Academy shall surrender the leased premises, including, without limitation, all alterations, additions, improvements, decorations, and repairs made thereto, in good condition and repair. The lease is renewable under contract provisions through June 30, 2017, with incremental annual increases. All original terms and conditions apply to renewal options. The Academy is responsible for all charges incurred for utilities (i.e. heat, water, gas, sewer, electricity) and maintenance. The Academy made lease payments in the amount of $162,000 for fiscal year 2007. The Academy has paid a security deposit of $10,500 to execute the lease.

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

The Academy has entered into a capital lease agreement for two modular classroom units. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Modular classroom buildings have been capitalized in the amount of $65,054. This amount represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2007 was $26,020, leaving a current book value of $39,034.

Principal and interest payments in the 2007 fiscal year totaled $4,298 and $69, respectively. The capital lease obligation was paid off during fiscal year 2007.

NOTE 9 - PURCHASED SERVICES

For fiscal year ended June 30, 2007, purchased services expenses were as follows:

Professional services	$ 74,546
Rent and property services	238,743
Travel	1,500
Advertising and communications	9,458
Utilities	41,598
Contract services	129,090
Pupil transportation	6,600
Other purchased services	29,379
Total	$ 530,914

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (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 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 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

NOTE 10 - PENSION PLANS - (Continued)

A. School Employees Retirement System - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent 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 statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for fiscal years ended June 30, 2007, 2006, and 2005 were $34,952, $39,917, and $35,857, respectively; 38.24 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. $21,586 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (888) 227-7877 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

NOTE 10 - PENSION PLANS - (Continued)

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for fund pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were $75,573, $86,513 and $55,770, respectively; 78.75 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. $16,061 represents the unpaid contribution for fiscal year 2007 and is recorded as a liability.

NOTE 11 - POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 funded on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $5,813 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the Health Care Stabilization Fund was $4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were $265.558 million and STRS Ohio had 122,934 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

NOTE 11 - POSTEMPLOYMENT BENEFITS – (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the Academy paid $16,691 to fund health care benefits, including the surcharge.

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 projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were $158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of $295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

NOTE 12 - OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from the Academy policy and State laws. All employees are at-will employees and do not have contracts as employees in traditional school districts. Full time administrative staff members are entitled to accrue 10 vacation days per year. Vacation time for the custodian is determined annually by the Management team. Vacation time for the Academy Director is determined annually by the Board. Salaried employees accrue sick time of 15 days per school year (1.25 per month) and are awarded 3 personal days and 1 professional day at the beginning of each school year. Personal and professional days do not carry over to the following school year. Leave balances are not paid out upon employee termination.

NOTE 13 - RISK MANAGEMENT

A. Property and Liability

The Academy 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. The Academy maintains insurance coverage with Indiana Insurance for general liability, buildings and contents, and school leaders' errors and omissions. The general liability coverage is in the amount of $2,000,000 aggregate. There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded the commercial coverage in any of the past three years.

NOTE 13 - RISK MANAGEMENT – (Continued)

B. Employee Medical, Dental, and Vision Benefits

The Academy has contracted with a private carrier to provide employee health insurance benefits. The Academy pays a maximum of $3,500 per employee. The employee has the option of using the Academy's insurance provider or using an outside provider. Any cost for coverage above $3,500 is the employees' responsibility. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependants.

C. Workers' Compensation

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

NOTE 14 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Ohio Department of Education's review of fiscal year 2007 has resulted in an underpayment of $692 in State funding which is presented in the financial statements as an intergovernmental receivable.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

International Academy of Ohio
D/B/A International Academy of Columbus
Franklin County
1201 Schrock Court
Columbus, Ohio 43229

To the Board of Directors:

We have audited the basic financial statements of the International Academy of Ohio, D/B/A International Academy of Columbus, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2007, and have issued our report thereon dated January 6, 2009. We qualified our opinion on the Academy's net assets at June 30, 2007 because we were unable to obtain sufficient evidence to support cash recorded in the statement of net assets and the statement of cash flows. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-002.

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-3402 (800) 443-9275 Fax: (614) 728-7199
www.auditor.state.oh.us

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe findings number 2007-001 and 2007-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated January 6, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the Academy's management in a separate letter dated January 6, 2009.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, and the Academy's sponsor. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 6, 2009

INTERNATIONAL ACADEMY OF OHIO
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

Finding Number	**2007-001**

Significant Deficiency / Material Weakness
Monthly Bank Reconciliations

Monthly bank reconciliations should be performed by the Treasurer to determine if all receipts and disbursements have been properly posted. Reconciling items should be investigated at the time of the reconciliation and resolved in a timely manner. Documentation supporting all reconciling items should be included with the reconciliation. Once completed, the reconciliation should be reviewed for completeness and accuracy by the Board.

When bank reconciliations are not properly performed, monthly fund balances may be understated or overstated and management cannot be assured that the ledgers reflect the proper financial activities of the Academy. Also, lack of legislative monitoring of the monthly bank reconciliations may lead to errors, irregularities, or misappropriation of the Academy's assets.

The Treasurer did not properly reconcile the Academy's accounting ledgers to the bank balances throughout fiscal year 2007, and reconciliations were not reviewed by the Board. The Treasurer did not post debit card receipts and expenditures to the accounting ledgers until fiscal year end. Furthermore, the Treasurer did not properly reconcile the payroll clearing account and did not account for the unreconciled balance in this account on the June 30, 2007 bank to book reconciliation. As a result, the Academy's accounting records did not reconcile to the bank statements by $16,793 at June 30, 2007. The Academy was unable to provide support for this difference, which resulted in a qualification in our Independent Accountant's report indicating the Academy's financial statements were understated.

We recommend the Academy investigate the $16,793 difference, determine the line items and/or funds affected and make the necessary adjustments.

We also recommend the Treasurer perform monthly bank to book reconciliations that properly account for all transactions during the respective month. All receipts and expenditures should be posted to the accounting ledgers in a timely manner to aid in the reconciliation process. In addition, the bank reconciliations, including supporting documentation, should be reviewed by the Board in order to assure accuracy and that all errors and/or irregularities are detected in a timely manner.

Officials' Response

The Academy investigated the amount of $16,793 and found that the majority of this amount represents the city, state, and federal withholdings that were submitted after the end of fiscal year 2007.

Also, from now on forward, the Academy will make sure that the bank reconciliations are performed monthly in a timely manner.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

Finding Number	2007-002

**Significant Deficiency/Material Weakness
Financial Reporting**

Sound financial reporting is the responsibility of the Treasurer and the Board of Directors and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following audit adjustments were made to the June 30, 2007 financial statements:

1. Adjustment of $731 to bring the remaining balance of the debit card account onto the Academy's books.
2. Adjustment of $23,026 to record grants receivable that were not recorded.
3. Adjustment of $8,036 to record payables found during the search for unrecorded payables.
4. Adjustment of $5,826 to record an intergovernmental payable related to the fiscal year 2007 SERS surcharge.

The adjustments identified above should be reviewed by the Treasurer and Board of Directors to ensure that similar errors are not reported on financial statements in subsequent years. In addition, the Academy should develop procedures for the periodic review of the activity posted to the accounting records, as well as, for the review of the financial statement information to ensure it accurately reflects the Academy's activity.

Officials' Response

We did not receive a response from officials to this finding.

Mary Taylor, CPA
Auditor of State

INTERNATIONAL ACADEMY OF OHIO

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 17, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us