

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

(AUDITED)

**BASIC
FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2009*

ROBERT LOTZ, TREASURER



Mary Taylor, CPA

Auditor of State

Board of Directors
Academy of Columbus
4656 Heaton Road
Columbus, Ohio 43229

We have reviewed the *Independent Auditor's Report* of the Academy of Columbus, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 25, 2010

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**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

TABLE OF CONTENTS

Independent Auditor's Report	1
Management's Discussion and Analysis	2 - 5
Basic Financial Statements:	
Statement of Net Assets	6
Statement of Revenues, Expenses and Changes in Net Assets.....	7
Statement of Cash Flows.....	8
Notes to the Basic Financial Statements.....	9 - 18
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19 - 20



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Directors
Academy of Columbus
4656 Heaton Road
Columbus, Ohio 43229

We have audited the accompanying basic financial statements of the Academy of Columbus, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2009, 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.

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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Academy of Columbus, Franklin County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, thereof 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 May 7, 2010, 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.

Julian & Grube, Inc.
May 7, 2010

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Academy of Columbus' (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2009. 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 2009 are as follows:

- In total, net assets were \$6,370 at June 30 2009.
- The Academy had operating revenues of \$2,830,815, operating expenses of \$3,332,442 and non-operating revenues of \$496,300 for fiscal year 2009. Total change in net assets for the fiscal year was a decrease of \$5,327.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes 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 Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2009?" The statement of net assets and the statement of revenues, expenses and changes 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 6 and 7 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 8 of this report.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The table below provides a summary of the Academy's net assets for fiscal year 2009 and 2008.

	Net Assets	
	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
Current assets	\$ 85,063	\$ 14,001
Total assets	<u>85,063</u>	<u>14,001</u>
<u>Liabilities</u>		
Current liabilities	<u>78,693</u>	<u>2,304</u>
Total liabilities	<u>78,693</u>	<u>2,304</u>
<u>Net Assets</u>		
Unrestricted	<u>6,370</u>	<u>11,697</u>
Total net assets	<u>\$ 6,370</u>	<u>\$ 11,697</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009 and June 30, 2008, the Academy's net assets totaled \$6,370 and \$11,697, respectively. This positive equity represents the excess revenues from state aid not paid out to Imagine Schools, Inc. or other vendors.

The Academy had no capital assets to report in fiscal years 2009 or 2008. This is a result of Imagine Schools, Inc. providing all of the furniture and equipment as part of its management agreement.

At June 30, 2009 the Academy reported intergovernmental receivables for grants in the amount of \$61,164, which contributed to the increase in total assets from fiscal year 2008. As a result of the full-time equivalency review by the Ohio Department of Education at June 30, 2008 an intergovernmental receivable in the amount of \$2,851 was reported and at June 30, 2009 an intergovernmental payable in the amount of \$44,974 was reported. The Academy had accounts payable of \$33,719 and \$2,304 for fiscal years 2009 and 2008, respectively, due to Imagine Schools, Inc. and other vendors.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

The table below shows the changes in net assets for fiscal year 2009 and 2008. Fringe benefits expenses reported in fiscal year 2008 have been reported in purchased services to conform to fiscal year 2009 presentation.

Change in Net Assets

	<u>2009</u>	<u>2008</u>
<u>Operating Revenues:</u>		
State foundation	\$ 2,830,815	\$ 2,676,967
In-kind contributions	-	319,000
Other	-	1,063
Total operating revenue	<u>2,830,815</u>	<u>2,997,030</u>
<u>Operating Expenses:</u>		
Purchased services	3,332,154	3,621,409
Other	288	7,370
Total operating expenses	<u>3,332,442</u>	<u>3,628,779</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	<u>496,300</u>	<u>612,678</u>
Total non-operating revenues	<u>496,300</u>	<u>612,678</u>
Change in net assets	(5,327)	(19,071)
Net assets at beginning of year	<u>11,697</u>	<u>30,768</u>
Net assets at end of year	<u>\$ 6,370</u>	<u>\$ 11,697</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. In addition, the Academy received in-kind contributions during fiscal year 2008 in the amount of \$319,000 (see Note 9 to the basic financial statements for detail). The Academy did not receive any in-kind contributions during fiscal year 2009, which also resulted in a decrease to operating expenses. The Academy received less grant monies in fiscal year 2009 related to the food service program and federal charter school start-up programs.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Current Financial Related Activities

The Academy is reliant upon State Foundation monies and federal grants to provide a scientifically based curriculum to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply all financial resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients 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 Mr. Robert Lotz, Treasurer, Charter School Specialists, 4656 Heaton Rd., Columbus, Ohio 43229.

**BASIC
FINANCIAL STATEMENTS**

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

Assets:	
Current assets:	
Cash	\$ 23,899
Receivables:	
Intergovernmental	<u>61,164</u>
Total assets	<u>85,063</u>
 Liabilities:	
Current liabilities:	
Accounts payable	33,719
Intergovernmental payable	<u>44,974</u>
Total liabilities	<u>78,693</u>
 Net Assets:	
Unrestricted	<u>6,370</u>
Total net assets	<u><u>\$ 6,370</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Operating revenues:	
State foundation.	\$ 2,830,815
Total operating revenue	<u>2,830,815</u>
Operating expenses:	
Professional services.	3,332,154
Other.	<u>288</u>
Total operating expenses.	<u>3,332,442</u>
Operating loss	<u>(501,627)</u>
Non-operating revenues:	
Federal and state grants	<u>496,300</u>
Total non-operating revenues	<u>496,300</u>
Change in net assets	(5,327)
Net assets at beginning of year.	<u>11,697</u>
Net assets at end of year	<u><u>\$ 6,370</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:	
Cash received from state foundation	\$ 2,878,640
Cash payments to suppliers for goods and services. . .	(3,300,739)
Cash payments for other expenses	(288)
	(422,387)
 Cash flows from noncapital financing activities:	
Federal and state grants.	435,136
	435,136
Net cash provided by noncapital financing activities	435,136
Net increase in cash and cash equivalents	12,749
Cash and cash equivalents at beginning of year. . . .	11,150
Cash and cash equivalents at end of year	\$ 23,899
	23,899
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (501,627)
Changes in assets and liabilities:	
Decrease in intergovernmental receivable	2,851
Increase in accounts payable	31,415
Increase in intergovernmental payable	44,974
	44,974
Net cash used in operating activities	\$ (422,387)
	(422,387)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Academy of Columbus (the "Academy") is a state nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to provide a scientifically based curriculum, known as Direct Instruction, for grades K-8. 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.

The Academy contracts with Imagine Schools, Inc. (Imagine) for most functions. See Note 7 for detail.

The Academy signed a contract with its sponsor, Ohio Council of Community Schools, to operate for a period of July 1, 2005 through June 30, 2010. Effective July 1, 2005, House Bill 364 required schools to be sponsored by an approved Ohio Department of Education sponsor.

The Academy operates under a self-appointing, seven member Board of Directors (the "Board"). The Academy's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor, which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers. The Academy began operations in August 2005 and has one leased instructional/support facility. The facility is staffed with teaching personnel employed by Imagine, who provide services to 403 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the Academy's 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 changes in net assets, and a statement of cash flows.

The Academy uses enterprise accounting to maintain its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods and services.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases and decreases in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

D. Cash and Cash Equivalents

All cash received by the Academy is maintained in a demand deposit account. The Academy did not have any investments during fiscal year 2009.

E. Capital Assets

The Academy operates under a management agreement with Imagine, and as such, the Academy has no capital assets (see Note 7).

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the Poverty Aid Program. Revenue received from these programs is recognized as operating revenues. Amounts awarded under the above programs for the 2009 school year totaled \$2,830,815.

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 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. The Academy received \$496,300 in State and Federal grants during fiscal year 2009.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

G. Operating Revenues and Expenses

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 are reported as non-operating.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or contracts. The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. Use of Estimates

In preparing financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2009, the Academy has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the Academy.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the Academy.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the Academy.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2009, the carrying amount of the Academy's deposits was \$23,899 and the bank balance was \$33,002. Of the bank balance, all was covered by the Federal Depository Insurance Corp. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

NOTE 5 - RECEIVABLES

Receivables at June 30, 2009, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

Intergovernmental receivables:	<u>Amount</u>
State meal reimbursement	\$ 438
Title VI-B	5,123
Title I	<u>55,603</u>
Total intergovernmental receivables	<u>\$ 61,164</u>

NOTE 6 - 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. As part of its agreement with Imagine, Imagine has contracted with Philadelphia Indemnity Insurance Co. for general liability, automobile liability, and excess/umbrella liability insurance pursuant to the Management Agreement (see Note 7). The following is a description of the Academy's insurance coverage:

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - RISK MANAGEMENT - (Continued)

<u>Coverage</u>	<u>Limits of Coverage</u>
General liability:	
Each occurrence	\$ 1,000,000
General aggregate	3,000,000
Products	3,000,000
Medical expenses	10,000
Personal & advertising injury	1,000,000
Damages to rented premises, per occurrence	100,000
 Automobile liability - combined single limit	 1,000,000
 Excess/umbrella liability:	
Each occurrence	10,000,000
Aggregate	10,000,000

B. School Leaders

Coverage has been purchased by the Academy with a \$1,000,000 aggregate limit and \$10,000 retention.

Settled claims have not exceeded commercial coverage in any of the past three years. There was no significant reduction in coverage from the prior fiscal year.

C. Workers' Compensation

Imagine is responsible for paying the State Workers' Compensation System a premium for employee injury coverage.

NOTE 7 - AGREEMENT WITH IMAGINE

Effective April 25, 2005, the Academy entered into a Management Agreement (the "Agreement") with Imagine, which is an educational consulting and management company. The term of the agreement is indefinite with the only expiration coming in conjunction with the termination of the Academy's charter. Imagine is responsible and accountable to the Board for the administration, operation and performance of the Academy in accordance with the Academy's contract with the Sponsor to operate the Academy. The Academy had purchased service expenses for the year ended June 30, 2009 to Imagine of \$3,175,097. Significant provisions of the Agreement are as follows:

Management, Consulting, and Operation Fee - The Academy is required to pay Imagine a monthly continuing fee of all of the Academy's "Revenues", defined in the Agreement as "...all revenue...shall not include Other Funds, Start up Advances, or Operating Advances..." and "shall be deposited within 3 business days or receipt into a Charter School Operating Account established by Imagine".

Other Academy Financial Responsibilities - The Academy is responsible for its directors' and officers' insurance, legal fees for Academy Board representation and general corporate matters, accounting, audit, tax and consulting fees for the Academy, and other miscellaneous expenses not incurred in the normal day-to-day operation of the Academy.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - AGREEMENT WITH IMAGINE - (Continued)

Imagine Financial Responsibilities - Except as otherwise provided in the Agreement, all costs incurred in providing the educational program at the Academy are to be paid by Imagine. Such costs include, but are not limited to, salaries and benefits for all personnel, curriculum materials, textbooks, library books, computer and other equipment, software, supplies, building payments, maintenance, and capital improvements. All personal property used in the operation of the Academy is the property of Imagine, unless purchased directly by the Academy with federal funds.

Imagine is required to maintain, at Imagine's expense, commercial general liability insurance in the name of the Academy in an amount not less than \$1 million per occurrence and \$2 million in the aggregate, plus an excess or umbrella policy extending coverage as broad as the primary coverage in an amount no less than \$5 million.

Personnel - Imagine has the responsibility and authority to determine staffing levels, and to select, evaluate, assign, discipline, transfer and terminate personnel, consistent with state and federal law and the contract.

Compensation and benefits of all employees of the Academy is paid by Imagine. If Imagine fails to pay this compensation, the Academy, in its sole discretion, may pay such compensation and offset the amount by withholding an equal amount from the fees owed to Imagine under the Agreement.

Termination by the Academy - The Academy may terminate the Agreement in the event Imagine materially breaches the Agreement of the Contract and Imagine does not cure the material breach within 30 days of its receipt of written notice from the Academy, unless the breach cannot be reasonably cured within 30 days, in which case Imagine shall promptly undertake and continue efforts to cure the material breach within a reasonable time.

Termination by Imagine - Imagine may, at its option, terminate the Agreement upon the occurrence of certain events as defined in the Agreement.

NOTE 8 - SERVICE CONTRACT

The Academy entered into a service contract for a period of fourteen months commencing August 1, 2008, with Charter School Specialists, LLC (CSS), to provide fiscal, student data, and Comprehensive Continuous Planning (CCIP) consulting services. The Academy paid CSS \$36,063 during fiscal year 2009 for these services.

NOTE 9 - RELATED PARTY TRANSACTIONS

Article V, Section K of the Charter School Operating Agreement states that if, at fiscal year end, the Academy has insufficient funds to meet reimbursement obligations to Imagine, Imagine will forgive unreimbursed start-up and operating advances and consider such advances as contributions. These contributions have been reflected in the financial statements as in-kind contributions and professional services. For the fiscal year ended June 30, 2009, there were no related party transactions to report.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - PENSION PLANS

The Academy has contracted with Imagine (see Note 7) to provide employee services and to pay those employees. However, these contract services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy ultimately responsible for remitting retirement contributions to the systems noted below:

A. School Employees Retirement System

Plan Description - Imagine, on behalf of 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - 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 Academy 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 2009, 9.09 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$29,989, \$52,754 and \$24,527, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System

Plan Description - Imagine, on behalf of the Academy, contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 10 - PENSION PLANS - (Continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2009, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$115,284, \$125,145 and \$113,635, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - Imagine, on behalf of the Academy, contributes to two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - POSTEMPLOYMENT BENEFITS - (Continued)

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$13,724, \$24,073 and \$8,143, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$2,474, \$3,801 and \$1,668, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - Imagine, on behalf of the Academy, contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$8,868, \$9,627 and \$8,741, respectively; 100 percent has been contributed for fiscal years 2009, 2008 and 2007.

NOTE 12 - MANAGEMENT COMPANY EXPENSES

For the fiscal year ended June 30, 2009, Imagine Schools, Inc. and its affiliates incurred the following expenses, which are reported on cash-basis, on behalf of the Academy:

<u>Expenses</u>	<u>2009</u>
Direct Expenses:	
Salaries and wages	\$ 1,025,761
Employees' benefits	340,730
Purchased services	1,176,131
Supplies and materials	85,675
Other direct costs	222,572
Indirect expenses	<u>355,095</u>
Total expenses	<u>\$ 3,205,964</u>

**ACADEMY OF COLUMBUS
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - MANAGEMENT COMPANY EXPENSES - (Continued)

Overhead charges included in other direct costs are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services in the operation of the School. Such services include, but are not limited to, facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

NOTE 13 - PURCHASED SERVICES EXPENSES

Professional and technical services	\$ 3,332,154
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Professional and technical services include management services, fiscal services, sponsor fees, and legal fees.

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 are 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, 2009.

B. Litigation

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the 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. As a result of the review after fiscal year end, the School owed \$44,974 to the Ohio Department of Education which is reflected on the basic financial statements as an intergovernmental payable.

NOTE 15 - FEDERAL TAX STATUS

The Academy was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization on June 25, 2009. Management is not aware of any course of action or series of events that might adversely affect the Academy's tax exempt status.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Academy of Columbus
4656 Heaton Road
Columbus, Ohio 43229

We have audited the basic financial statements of the Academy of Columbus, Franklin County, (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated May 7, 2010. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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*.

Board of Directors
Academy of Columbus

We intend this report solely for the information and use of management and the Board of Directors of the Academy of Columbus. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
May 7, 2010



Julian & Grube, Inc.

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Independent Accountant's Report on Applying Agreed-Upon Procedures

Academy of Columbus
Franklin County
4656 Heaton Road
Columbus, Ohio 43229

To the Board of Directors:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on November 15, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Ohio Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors of the Academy of Columbus and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.
May 7, 2010



Mary Taylor, CPA
Auditor of State

ACADEMY OF COLUMBUS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 8, 2010**