



Dave Yost • Auditor of State

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets June 30, 2010	7
Statement of Revenues, Expenses, and Changes in Net Assets For the Fiscal Year Ended June 30, 2010	8
Statement of Cash Flows For the Fiscal Year Ended June 30, 2010.....	9
Notes to the Basic Financial Statements	11
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	21
Schedule of Findings.....	23
Schedule of Prior Audit Findings.....	24
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	25

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Educational Academy for Boys and Girls
Franklin County
1111 Windsor Avenue
Columbus, Ohio 43211

To the Board of Directors:

We have audited the accompanying basic financial statements of Educational Academy for Boys and Girls, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Educational Academy for Boys and Girls, Franklin County, Ohio, as of June 30, 2010, and the respective changes in 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 March 8, 2011, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

March 8, 2011

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2010
(UNAUDITED)**

The discussion and analysis of Educational Academy for Boys and Girl's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for the Educational Academy for Boys and Girls during the period ended June 30, 2010 are as follows:

- Total net assets of the School decreased \$9,313 during this 12-month period. Ending net assets of the School were \$57,203 compared with \$66,516 at June 30, 2009.
- Total assets decreased \$21,612 from the prior year audit and total liabilities decreased by \$12,299 from the prior year audit.
- The School's operating loss for this 12-month period was \$119,754 compared with an operating loss of \$60,648 reported for the prior year.

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2010
(UNAUDITED)**

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

This statement reports the School's net assets; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School's net assets for June 30, 2010 compared to those reported for fiscal year 2009.

Table 1
Net Assets

	2010	2009
Assets:		
Current Assets	\$ 19,266	\$ 22,073
Capital assets, net	37,937	56,742
Total Assets	57,203	78,815
Liabilities		
Current liabilities	-	12,299
Total Liabilities	-	12,299
Net Assets:		
Invested in capital assets	37,937	56,742
Restricted	1,405	8,915
Unrestricted	17,861	859
Total Net Assets	\$ 57,203	\$ 66,516

The total assets of the School decreased by \$21,612, which represents a 27.4 percent decrease from total assets reported for fiscal year 2009. This is the result of depreciation and a reduction in intergovernmental receivables.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2010
(UNAUDITED)**

Intergovernmental grants receivables reported at June 30, 2010 were \$7,847.

Total liabilities of the School decreased \$12,299 over those reported in fiscal year 2009.

The total net assets reported for fiscal year 2010 decreased by \$9,313. Unrestricted net assets increased by \$17,005 to \$17,864. Restricted net assets decreased by \$7,510 to \$1,405.

Table 2 shows the changes in net assets for the 12-month period ended June 30, 2010 as compared to changes reported for fiscal year 2009.

Table 2
Change in Net Assets

	<u>2010</u>	<u>2009</u>
Operating Revenues:		
Foundation Payments	\$ 247,932	\$ 242,019
Non Operating Revenues:		
State Subsidies		3,000
Federal Subsidies	110,521	50,080
Total Revenues	<u>\$ 358,453</u>	<u>\$ 295,099</u>
Operating Expenses:		
Purchased Services	\$ 348,611	\$ 241,370
Materials and Supplies	270	42,492
Depreciation	18,805	18,805
Non Operating Expenses:		
Loss on Sale of Asset	-	8,562
Other Expenses	80	-
Total Expenses	<u>\$ 367,766</u>	<u>\$ 311,229</u>
Change in Net Assets	\$ (9,313)	\$ (16,130)
Net Assets, Beginning of Year	<u>66,516</u>	<u>82,646</u>
Net Assets, End of Year	<u>\$ 57,203</u>	<u>\$ 66,516</u>

Total revenue increased \$63,354 during this 12-month period compared with the prior fiscal year due to an increase in federal funding.

Expenses reported for this 12-month period were \$56,537 more than the expenses reported for fiscal year 2009. This increase is due to an increase in funding for federal grants between years.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2010
(UNAUDITED)**

Capital Assets

At the end of fiscal year 2010, the School had \$37,937 invested in furniture, fixtures and equipment. There were no purchases which met the School's capitalization policy during the year. See Note 4 of the basic financial statements for additional details.

Debt

At June 30, 2010, the School had no outstanding debt.

Budgetary

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in the Ohio Review Code Chapter 5705 unless specifically provided in the School's contract with its Sponsor. The School does provide an annual budget in addition to five-year forecasts in October and May of each fiscal year according to its Sponsor agreement.

Currently Known Facts

There are no currently known facts that would be expected to have a significant impact on the financial condition of the school in the next year.

Contacting the School

This financial report is designed to provide a general overview of the finances of the Educational Academy for Boys and Girls and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Educational Academy for Boys and Girls, 1111 Windsor Ave., Columbus, Ohio 43211.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
AS OF JUNE 30, 2010**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 11,419
Intergovernmental Receivables	<u>7,847</u>

CURRENT ASSETS 19,266

NON-CURRENT ASSETS

Capital Assets (net of Accumulated Depreciation)	<u>37,937</u>
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TOTAL ASSETS 57,203

NET ASSETS

Invested in Capital Assets	37,937
Restricted	1,405
Unrestricted	<u>17,861</u>

TOTAL NET ASSETS \$ 57,203

See accompanying notes to the financial statements.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE PERIOD ENDED JUNE 30, 2010**

OPERATING REVENUES:	
Foundation Payments	\$ 247,932
OPERATING EXPENSES	
Purchased Services	\$ 348,611
Materials and Supplies	270
Depreciation	18,805
Total Operating Expenses	367,686
Operating Loss	(119,754)
NON-OPERATING REVENUES/(EXPENSES)	
State and Federal Grant Revenue	110,521
Other Expenses	(80)
Total Non-Operating Revenues/(Expenses)	110,441
Changes in net assets	(9,313)
Net Assets, Beginning of Year	66,516
Net Assets, End of Year	\$ 57,203

See accompanying notes to the financial statements.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2010**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 247,932
Cash Payments to Suppliers for Goods and Services	<u>(348,881)</u>
Net Cash Used for Operating Activities	<u>(100,949)</u>

Cash Flows from Noncapital Financing Activities

Federal and State Grants	111,384
Other Expenses	<u>(80)</u>
Net Cash Provided by Noncapital Financing Activities	<u>111,304</u>

Net Increase in Cash and Cash Equivalents 10,355

Cash and Cash Equivalents, Beginning of Year 1,064

Cash and Cash Equivalents, End of Year 11,419

Reconciliation of Operating Loss to Net Cash Used for Operating Activities

Operating Loss	<u>(119,754)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	<u>18,805</u>
Total Adjustments	<u>18,805</u>
Net Cash Used for Operating Activities	<u>\$ (100,949)</u>

See accompanying notes to the financial statements.

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**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

1. Description of the School and Reporting Entity:

Educational Academy for Boys and Girls (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School, which is part of the State's education program, is independent of any school district and is non sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the St. Aloysius Orphanage during the fiscal year ended June 30, 2007, and renews annually every June 30th unless cancelled by either party with 90 days notice.

The School is required to operate under the direction of a Governing Board consisting of at least five members. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualifications of teachers.

On May 28, 2007, the School and Educational Solutions Co. entered into a full-performance management contract. Under this contract, Educational Solutions Co. is obligated to manage and operate the School. Educational Solutions Co. is an Ohio non-profit corporation that was established and is operated for educational purposes to support Ohio community schools. It was granted federal tax exemption under IRS Section 501(c)(3), and it is classified as a public charity under IRS Section 509(a)(3), a supporting organization. In addition to the School, Educational Solutions Co. currently supports three other Ohio community schools. Each of its supported schools are members of Educational Solutions Co., as such term is defined by Ohio Revised Cod Chapter 1702. As members of Educational Solutions Co., the schools, under Educational Solutions Co.'s Code of Regulations, elect a majority of the Board of Directors of Educational Solutions Co. As a result of this relationship, Educational Solutions Co. is "operated, supervised, or controlled by" its supported schools, as such term is defined by Regs. Section 1.509(a)-4(g), and Educational Solutions Co. is a Type I supporting organization. As a result of this relationship, Educational Solutions Co. is responsive to the needs and demands of its supported schools and is an integral part of their operations.

2. Summary of Significant Accounting Policies:

The financial statements of the School 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 School also applies Financial Accounting Standards Board (FASB) statements and interpretations

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies: (Continued)

issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB statements and interpretations issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. The statement of revenues, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

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

C. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies: (Continued)

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash into separate funds. Cash is defined as demand deposits, savings, and investments with original maturity less than 90 days.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School capitalizes all capital assets, regardless of cost. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimate Life</u>
Buildings	40 years
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	15 years

F. Estimates

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

G. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

2. Summary of Significant Accounting Policies: (Continued)

Intergovernmental revenues associated with the Foundation Program totaled \$247,932 and revenues associated with specific education grants from the state and federal governments totaled \$110,521 during fiscal year 2010.

H. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including purchased services, materials and supplies and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

I. 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 less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the School at year-end represent unspent federal and state grant resources for specific instructional program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

J. Economic Dependency

The School receives 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

3. Deposits:

At June 30, 2010, the carrying amount of the School's deposits was \$11,419 and the bank balance was \$15,093. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

4. Capital Assets:

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Capital Assets:				
Furniture and Equipment	\$ 94,026	\$ _____	\$ _____	\$ 94,026
Total Assets	<u>94,026</u>	<u> </u>	<u> </u>	<u>94,026</u>
Depreciation:				
Furniture and Equipment	\$ (37,284)	\$(18,805)	\$ _____	\$(56,089)
Accumulated Depreciation	<u>(37,284)</u>	<u>(18,805)</u>	<u> </u>	<u>(56,089)</u>
Net Capital Assets	<u>\$ 56,742</u>			<u>\$ 37,937</u>

5. Defined Benefit Pension Plans:

A. School Employees Retirement System

Plan Description - The School 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 the School Employees Retirement System, 300 East Board Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of annual covered payroll.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

5. Defined Benefit Pension Plans: (Continued)

A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2010, 9.09% 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% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS are paid and reported by the Management Co. (Note 11).

B. State Teachers Retirement System

Plan Description - The School 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, Ohio 43215-3371, by calling (614) 227-4090, 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 percentage that varies based on years of service, or an allowance based on member 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% 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. 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 DB 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 services who become 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.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

(Continued)

5. Defined Benefit Pension Plans: (Continued)

If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's amount balance.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio are paid and reported by the Management Co. (Note 11).

6. Post-employment Benefits

A. School Employee Retirement System

Plan Description – The School participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System 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 401h. For 2010, 4.18 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 2010, the amount was \$35,800.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

(Continued)

6. Post-employment Benefits

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.

B. State Teachers Retirement System

Plan Description – The School contributes to the cost sharing multiple employer defined benefit Health 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 the School, the STRS amounts allocated to post-employment health care are paid and reported by the Management Co. (Note 11).

7. Risk Management:

A. Property and Liability

The Management Co. assumed all property and liability risk (Note 11).

B. Workers' Compensation

The Management Co. pays the State Worker's Compensation System a premium for employee injury coverage (Note 11).

8. Restricted Net Assets:

At June 30, 2010 the School reported \$1,405 in restricted net assets.

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

9. Contingencies:

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School at June 30, 2010.

B. State funding

The Ohio Department of Education conducts reviews of enrollment data and 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. This review resulted in a negative adjustment of \$7,964 for fiscal year 2010.

10. Other Purchased Services:

During the fiscal year ended June 30, 2010, other purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$ 340,435
Professional Development	6,503
Other	<u>1,673</u>
Total Purchased Services	<u>\$ 348,611</u>

11. Management Agreement:

On May 28, 2007, the School and Educational Solutions Co. entered into a full-performance management contract. Under this contract, Educational Solutions Co. is obligated to manage and operate the School. Educational Solutions Co. is an Ohio non-profit corporation that was established and is operated for educational purposes to support Ohio community schools. It was granted federal tax exemption under IRS Section 501(c)(3), and it is classified as a public charity under IRS Section 509(a)(3), a supporting organization. In addition to the School, Educational Solutions Co. currently supports three other Ohio community schools. Each of its supported schools are members of Educational Solutions Co., as such term is defined by Ohio Revised Cod Chapter 1702. As members of Educational Solutions Co., the schools, under Educational Solutions Co.'s Code of Regulations, elect a majority of the

**EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010
(Continued)**

11. Management Agreement (Continued):

Board of Directors of Educational Solutions Co. As a result of this relationship, Educational Solutions Co. is “operated, supervised, or controlled by” its supported schools, as such term is defined by Regs. Section 1.509(a)-4(g), and Educational Solutions Co. is a Type I supporting organization. As a result of this relationship, Educational Solutions Co. is responsive to the needs and demands of its supported schools and is an integral part of their operations. Additionally Educational Solutions Co. will assume all obligations of the School under the existing contract. As a result, no liabilities are reflected on the School’s financial statements.

The Academy is a party to a fiscal services agreement Hemphill & Associates, which is a certified public accounting company. The Agreement's term is for a twelve month period beginning July 1, 2009, and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that H&A will perform the following functions for the Academy:

1. Standard Treasurer Services, including general ledger entries, basic record keeping required documents for state and federal governments, and basic accounting reports to Director and Board.
2. Basic Financial Management Services, including all of the functions in Standard Treasurer Services Package plus Financial Management Support Services, ongoing budgeting, accounting, purchasing, financial reporting, cash flow analysis, and resource all support.

12. Management Company Expenses

For the years ended June 30, 2010 Educational Solutions Co. incurred the following expenses on behalf of the School. These expenditures do not include payments made for federal programs, which are direct billed to the School:

	For the Year Ending <u>June 30, 2010</u>
Direct and Indirect Expenses:	
Salaries & wages (100 object code)	\$ 98,511
Employees’ benefits (200 object codes)	22,557
Professional & technical services (410 object codes)	32,993
Property services (420 object codes)	4,037
Travel (430 object codes)	2,100
Communications (440 object codes)	3,473
Utilities (450 object codes)	5,344
Other supplies (510, 550, 570, 580, 590 object codes)	5,513
Other direct costs (All other object codes)	<u>608</u>
Total Expenses	<u>\$175,136</u>



Dave Yost • Auditor of State

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

Educational Academy for Boys and Girls
Franklin County
1111 Windsor Avenue
Columbus, Ohio 43211

To the Board of Directors:

We have audited the basic financial statements of Educational Academy for Boys and Girls, Franklin County, Ohio, (the School) as of and for the year ended June 30, 2010 and have issued our report thereon dated March 8, 2011. 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 School'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 School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School'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 School'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 School'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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

Educational Academy for Boys and Girls
Franklin County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated March 8, 2011.

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Directors, the St. Aloysius Orphanage, and others within the School. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State

March 8, 2011

EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2010

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

FINDING NUMBER 2010-001

Material Noncompliance – Filing Annual Report

Ohio Rev. Code Section 117.38 states that GAAP-basis entities must file annual reports with the Auditor of State's Office within 150 days of the fiscal year end.

The School did not file its annual financial report with the Auditor of State's office for fiscal year ending 2010 until January 31, 2011.

Failure to comply with this requirement inhibits the public's awareness of the availability of the School's annual report for inspection and delays the School's ability to review and provide timely audited financial statements to interested parties.

We recommend the School file their annual report within 150 days of fiscal year end.

Officials' Response:

The Treasurer will file the GAAP-basis financial report with the Auditor of State within the 150 day period following the close of the fiscal year.

EDUCATIONAL ACADEMY FOR BOYS AND GIRLS
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2010

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Board Monitoring	No	Partially Corrected. Reissued in the Management Letter
2009-002	Financial Statement Presentation	Yes	



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Educational Academy for Boys and Girls
Franklin County
1111 Windsor Avenue
Columbus, Ohio 43211

To the Board of Directors:

Ohio Rev. 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 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 Educational Academy at Linden, Franklin County, Ohio, (the School) has adopted an anti-harassment policy in accordance with Ohio Rev. 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 September 24, 2009.
2. We read the policy, noting it included the following requirements from Ohio Rev. 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 Rev. 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 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 School administration semiannually provide the president of the School board a written summary of all reported incidents and post the summary on its web site, if the School 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 and St. Aloysius Orphanage and is not intended to be and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

March 8, 2011



Dave Yost • Auditor of State

EDUCATIONAL ACADEMY FOR BOYS AND GIRLS

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
MAY 5, 2011**