

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2010



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 27, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

The Charles School at Ohio Dominican University
Franklin County
1270 Brentnell Ave
Columbus, Ohio 43219

To the Board:

We have audited the accompanying basic financial statements of The Charles School at Ohio Dominican University, 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 financial position of The Charles School at Ohio Dominican University, Franklin County, Ohio, as of and for the year ended June 30, 2010, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2010, 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.

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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.

We conducted our audit to opine on the financial statements that collectively comprise the School's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

December 3, 2010

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Our discussion and analysis of The Charles School at Ohio Dominican University (TCS) financial performance provides an overall review of TCS' financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at TCS' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the TCS' 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 June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets increased \$131,471 which represents a 1,040.3 percent increase from 2009. This increase is due to an increase in revenues due to increased enrollment.
- Total assets increased \$13,343 which represents a 3.2 percent increase from 2009. This was primarily due to an increase in capital assets from the previous year.
- Liabilities decreased \$118,128 which represents a 30.3 percent decrease from 2009. The decrease in liabilities is primarily due to decreases in deferred revenue, intergovernmental payables, and accounts payable from the previous year.

USING THIS ANNUAL REPORT

This report consists of three parts, the MD&A, the basic financial statements, and notes to the basic financial statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Fund Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Change in Fund Net Assets reflect how TCS did financially during fiscal year 2010. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report TCS' net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of TCS has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include TCS' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

TCS uses enterprise presentation for all of its activities.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Statement of Net Assets

The Statement of Net Assets answers the question of how TCS did financially during 2010. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and 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.

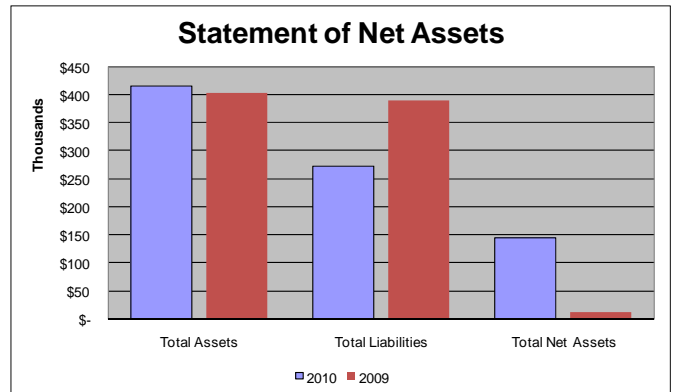
Table 1, below, is a summary of TCS' net assets for fiscal year 2010 and 2009.

(Table 1)
Statement of Net Assets

	2010	2009
Assets		
Current Assets	\$ 226,884	\$ 267,953
Capital Assets, Net	189,241	134,829
Total Assets	<u>\$ 416,125</u>	<u>\$ 402,782</u>
Liabilities		
Current Liabilities	<u>\$ 272,016</u>	<u>\$ 390,144</u>
Net Assets		
Investment in Capital Assets	\$ 189,241	\$ 134,829
Unrestricted	(45,132)	(122,191)
Total Net Assets	<u>\$ 144,109</u>	<u>\$ 12,638</u>

Total assets were \$416,125, an increase of 3.2% from the prior year due to an increase in capital asset additions, while total liabilities decreased 30.3% to \$272,016 as a result of decreased deferred revenue due to a majority of the Middle College grant award being earned and not deferred in the current period. Cash and cash equivalents were \$62,743 and capital assets, at net, were \$189,241. Intergovernmental receivables, a current asset, totaled \$98,618. Accounts receivable are \$60,307.

Statement of Revenues, Expenses and Change in Fund Net Assets



**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Table 2, below, demonstrates the changes in net assets for fiscal year 2010 and 2009, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for TCS as a whole, the financial position of TCS has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

(Table 2)
Change in Net Assets

	2010	2009
Operating Revenues		
State Aid	\$1,475,228	\$ 1,041,109
Food Service	7,653	1,292
Classroom Fees	3,990	6,853
Other Operating	5,286	3,086
Non-Operating Revenue		
Federal Grants	523,450	437,683
State Grants	6,083	8,237
Contributions & Donations	240,842	96,795
Investment Income	414	212
Total Revenues	2,262,946	1,595,267
Operating Expenses		
Purchased Services: Management Fees	1,548,220	1,095,153
Purchased Services: Rent and Property Services	116,532	102,025
Purchased Services: Professional Services	142,173	162,224
Purchased Services: Food Services	67,672	27,648
Purchased Services: Professional Development	24,456	13,236
Purchased Services: Other	91,191	84,038
Materials and Supplies	66,700	60,625
Depreciation	40,143	23,801
Other	34,388	23,689
Total Expenses	2,131,475	1,592,439
Change in Net Assets	\$ 131,471	\$ 2,828

Operating revenues were \$ 1,492,157, which represents 65.9% of total revenue, a 41.8% increase from the prior year due to an increase in enrollment, which resulted in increased State Aid received. Operating expenses were \$2,131,475, which represents 100% of total expenses. TCS' most significant expense Purchased Services: Management Fees represents 72.6% of total expenses. The total comprises management fees paid to The Graham School (TGS). The agreement, between TCS and TGS, provides for TCS to remit a specific percentage of certain revenues received to TGS to finance operations. Note 16, in the notes to the basic financial statements outlines this agreement.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Budgeting Highlights

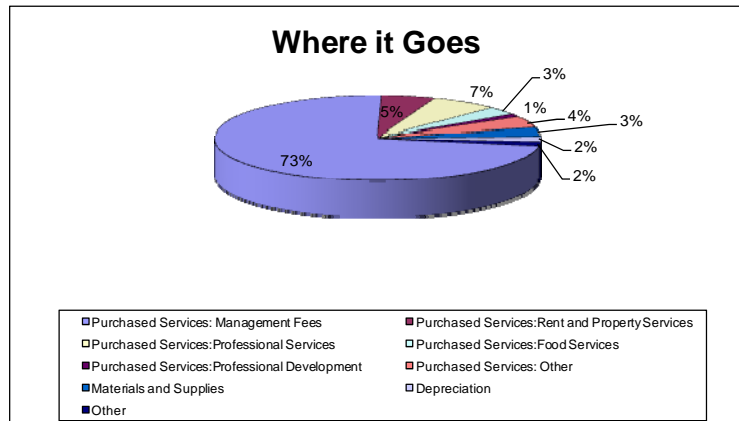
Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor. The contract between TCS and its Sponsor does not prescribe a budgetary process. TCS developed a one year spending plan and a five-year forecast that is reviewed periodically by the Board of Trustees. The five-year forecast is also submitted to the Sponsor and the Ohio Department of Education.

CAPITAL ASSETS

At the end of fiscal year 2010, TCS had \$189,241 invested in capital assets, net of depreciation. TCS increased capital assets in fiscal year 2010 with the purchase of computers, equipment and textbooks. For more information on capital assets, see Note 6 in the notes to the basic financial statements.

DEBT

At June 30, 2010, TCS had \$272,016 in total liabilities. Of this amount, TCS had \$117,000 in a line of credit. Note 12 in the notes to the basic financial statements summarize the conditions and terms of the line of credit, and other debt outstanding at June 30, 2010.



OTHER INFORMATION

For the Future

In conclusion, TCS has committed itself to financial excellence. TCS occupies a leased building from the Columbus City School District on Brentnell Ave, effective July 1, 2008. Note 11 describes the conditions and terms of the lease agreement. This building is expected to ensure that the TCS can meet its enrollment projections and give students a positive learning environment.

TCS received donations and private grants to assist in financing the operations and development of curriculum; this practice is expected to continue. TCS has an annual fundraising program and uses the expertise of The Graham School's specialists to assist in this effort.

CONTACTING THE CHARLES SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of The Charles School's finances and to show its accountability for the money received. If you have questions about this report or need additional information contact Ms. Cheryl Long of The Charles School at Ohio Dominican University, 1270 Brentnell Avenue, Columbus, Ohio 43214 or e-mail at cheryl@thegrahamschool.org.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Assets

Current Asset

Cash and Cash Equivalents	\$ 62,743
Accounts Receivable	60,307
Intergovernmental Receivable	98,618
Prepays	<u>5,216</u>

Total Current Assets 226,884

Noncurrent Assets

Depreciable Capital Assets, net 189,241

Total Assets \$ 416,125

Liabilities

Current Liabilities

Accounts Payable	\$ 87,503
Line of Credit	117,000
Deferred Revenue	<u>67,513</u>

Total Liabilities \$ 272,016

Net Assets

Investment in Capital Assets, Net of Related Debt	189,241
Unrestricted	<u>(45,132)</u>

Total Net Assets \$ 144,109

See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Operating Revenues	
State Aid	\$1,475,228
Food Service	7,653
Classroom Fees	3,990
Other Operating	<u>5,286</u>
 Total Operating Revenues	 <u>1,492,157</u>
 Operating Expenses	
Purchased Services: Management Fees	1,548,220
Purchased Services: Rent and Property Services	116,532
Purchased Services: Professional Services	142,173
Purchased Services: Food Services	67,672
Purchased Services: Professional Development	24,456
Purchased Services: Other	91,191
Materials and Supplies	66,700
Depreciation	40,143
Other	<u>34,388</u>
 Total Operating Expenses	 <u>2,131,475</u>
 Operating Loss	 <u>(639,318)</u>
 Non-Operating Revenues	
Federal Grants	523,450
State Grants	6,083
Contributions & Donations	240,842
Investment Income	<u>414</u>
 Total Non-Operating Revenues	 <u>770,789</u>
 Change in Net Assets	 <u>131,471</u>
 Net Assets Beginning of Year	 12,638
 Net Assets End of Year	 <u>\$ 144,109</u>

See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$1,475,228
Cash Received from Other Operating Sources	16,929
Cash Payments to Suppliers for Goods and Services	(2,114,441)
Other Cash Payments	<u>(34,388)</u>

Net Cash Used for Operating Activities (656,672)

Cash Flows from Noncapital Financing Activities

Cash Received from Grants	378,160
Cash Received from Contributions and Donations	<u>189,875</u>

Net Cash Provided by Noncapital Financing Activities 568,035

Cash Flows from Capital and Related Financing Activities

Cash Payments for Capital Assets	(94,555)
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Cash Flows from Investing Activities

Interest Income	414
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Net Decrease in Cash and Cash Equivalents (182,778)

Cash and Cash Equivalents Beginning of Year 245,521

Cash and Cash Equivalents End of Year \$ 62,743

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010
(Continued)**

**RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH
PROVIDED BY (USED FOR) OPERATING ACTIVITIES**

Operating Loss	\$ (639,318)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED IN OPERATING ACTIVITIES**

Depreciation	40,143
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Changes in Assets and Liabilities:

Accounts Receivable	(47,027)
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Prepaid Items	736
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Accounts Payable	(11,206)
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Net Cash Used For Operating Activities	<u>\$ (656,672)</u>
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See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010**

1. DESCRIPTION OF THE REPORTING ENTITY

The Charles School at Ohio Dominican University (TCS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. TCS is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect TCS' tax-exempt status. TCS' objective is to use the Columbus community to form partnerships for student learning. Individualized programs are used to meet students' needs. Parents and students are included in all decision-making. TCS, which is part of the State's education program, is independent and is nonsectarian in its programs, admission policies, employment practices, and all other operations. TCS may acquire facilities as needed and contract for any services necessary for the operation of the school.

TCS was approved for operation under a contract with the Delaware-Union Educational Service Center (the Sponsor) for a period of one year commencing July 1, 2008. A new one year contract was approved commencing July 1, 2009. The Sponsor is responsible for evaluating the performance of TCS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

On January 1, 2009, the Sponsor merged with the Franklin County Service Center. The surviving organization, the Educational Service Center of Central Ohio, acknowledges its obligations under the existing contract between the Sponsor and TCS, and expects to honor provisions contained therein, as documented in the Memorandum of Understanding dated January 3, 2009.

TCS operates under the direction of a five-member governing board. 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.

TCS contracts with The Graham School (TGS) for most of its day-to-day activities. (See Note 16)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of TCS 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. TCS 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. Following are the more significant of TCS' accounting policies. However, TCS has elected not to apply FASB statements and interpretations issued after November 30, 1989.

A. Basis of Presentation

TCS'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. TCS uses enterprise accounting to maintain its financial records during the fiscal year. 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 or services.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

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 operating statement presents increases and decreases in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided for in the sponsorship agreement. The contract between TCS and its Sponsor does not prescribe an annual budget requirement, as defined in Ohio Revised Code Chapter 5705. However, TCS prepares a five-year forecast, which is to be updated semi-annually, as required by the sponsorship agreement.

D. Cash and Cash Equivalents

All cash received by TCS is deposited in accounts in TCS's name and reflected as Cash and Cash Equivalents on the Statement of Net Assets. TCS did not have any investments during fiscal year 2010.

E. Prepaid Items

TCS records payments made to vendors for services that will benefit future periods as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is recorded in the year in which the services are consumed.

F. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements (deletions) during the year. Donated capital assets are recorded at their fair market values as of the date received. TCS' capitalization threshold is five hundred dollars.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not. Interest incurred during the construction of capital assets is also capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to capital assets are depreciated over the remaining useful lives. Buildings are depreciated over forty years.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

TCS currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenue (foundation payments) in the accounting period in which it is earned and becomes measurable. Funding from this program is listed as "State Aid" on the Statement of Revenues, Expenses, and Change in Fund Net Assets.

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

Resources where the timing requirement is not met are recorded as a liability to the funding source, and reported as a non-operating expense. Resources received prior to the period of use are deferred.

Amounts awarded under the above program for the 2010 school year totaled \$2,004,761.

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by TCS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. TCS does not have any restricted net assets at June 30, 2010, but the Statement of Net Assets reports \$189,241 in Invested in Capital Assets.

I. Operating Revenues and Expenses

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

J. Estimates

The preparation of the 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 the accompanying notes. Actual results may differ from those estimates.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

3. DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

Deposits: The carrying value of TCS's deposits are \$62,743, and the bank balance totaled \$114,776, all of which was covered by federal depository insurance, based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2010.

Custodial credit risk is the risk that, in the event of bank failure, TCS's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of TCS.

4. INTERGOVERNMENTAL AND ACCOUNTS RECEIVABLE

At June 30, 2010, TCS had an intergovernmental receivable in the amount of \$98,618 for CCIP payments due, but not received by year end. The intergovernmental receivable is collectible in the next operating cycle. Accounts receivable consist of management fees overpaid to TGS of \$60,307 at June 30, 2010. (See Note 10 and 16)

5. ACCOUNTS PAYABLE

Accounts Payable consists of obligations at June 30, 2010 incurred during the normal course of conducting operations.

6. CAPITAL ASSETS

For the year ended June 30, 2010, TCS' capital assets consisted of the following:

	Balance			Balance
	<u>06/30/09</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/10</u>
Capital Assets Being Depreciated:				
Computers & Equipment	\$106,593	\$ 94,555	\$ -	\$ 201,148
Textbooks	<u>64,205</u>	<u>-</u>	<u>-</u>	<u>64,205</u>
Total Capital Assets Being Depreciated	170,798	94,555	-	265,353
Less Accumulated Depreciation:				
Computers & Equipment	(30,023)	(27,302)	-	(57,325)
Textbooks	<u>(5,946)</u>	<u>(12,841)</u>	<u>-</u>	<u>(18,787)</u>
Total Accumulated Depreciation	(35,969)	(40,143)	-	(76,112)
Total Capital Assets Being Depreciated Net	<u>\$134,829</u>	<u>\$ 54,412</u>	<u>\$ -</u>	<u>\$ 189,241</u>

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

7. RISK MANAGEMENT

A. Insurance Coverage

TCS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2010, TCS contracted with the Hartford Casualty Insurance Company for the following insurance coverage:

Commercial General Liability per occurrence	\$1,000,000
Commercial General Liability aggregate	2,000,000
Umbrella Liability per occurrence (\$10,000 self-insured retention)	6,000,000

The amount of settlements did not exceed insurance coverage for any of the past three years. There has not been a significant reduction in coverage from the prior year.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - TCS contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement, disability, and survivor 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 contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and TCS is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. TCS contributions to SERS for the year ended June 30, 2010, 2009 and 2008 were zero; all contributions were paid and reported under TGS.

B. State Teachers Retirement Systems (STRS)

Plan Description - TCS participates in 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.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (STRS) (Continued)

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. 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 the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The TCS was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. 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.

TCS' required contributions for pension obligations to STRS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$0; all employee contributions were paid and reported under TGS.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2010, no employee has elected to participate in Social Security.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

9. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

Medicare Part B

The Medicare B plan reimburses Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarial required allocation is .76 percent. TCS contributions for the years ended June 30, 2010, 2009 and 2008 were zero. All contributions were paid and reported under The Graham School.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation is .46 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2010, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. TCS contributions assigned to health care for the years ended June 30, 2010, 2009 and 2008 were zero.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

9. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Audit Resources

B. State Teachers Retirement System

Plan Description – The TCS 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 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The TCS' contributions for health care for the fiscal years ended June 30 2010, 2009, and 2008 were 0. These amounts were paid by TGS as part of both the Graham and Charles Schools' contribution to the Health Care Fund.

10. CONTINGENCIES

A. Grants

TCS receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of TCS at June 30, 2010.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

10. CONTINGENCIES (Continued)

B. Full-Time Equivalency Reviews

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by TCS. These reviews are conducted to ensure TCS is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has been conducted for the 2009-2010 school year and the conclusion of this review resulted in state funding for TCS being adjusted by an increase of \$18,962.

This amount for FTE does not have a material effect on the accompanying financial statements presented and is not included.

11. OPERATING LEASES – LESSEE DISCLOSURE

A. Modern Office Equipment- Copier

TCS entered into an operating lease commencing February 2008 for a term of 60 months for a copier. The copier is owned by Modern Office Methods. The term will be extended automatically for successive 12 month terms unless written notice is given 30 days prior to the end of any term.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2010.

<u>Fiscal Year</u>	<u>Copier</u>
2011	8,786
2012	8,786
2013	<u>7,322</u>
Total	24,894

B. Educational Facility

TCS leases a building located at 1270 Brentnell Avenue from the Columbus City School District. The term of the lease is for a period of 120 months commencing on July 1, 2008 and ending June 30, 2018 for \$5,216 (\$62,592 annually). In the sixth year and thereafter, the lease annual lease payments adjust based upon the lesser of 13.5% or the annual CPI (consumer price index) increase.

12. SHORT-TERM DEBT – Charles E. Graham

At June 30, 2010, the following table represents TCS' short-term debt issuance:

	<u>Principal Outstanding 6/30/2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2010</u>
Line of Credit	\$ 117,000	\$ -	\$ -	\$ 117,000

On November 13, 2006, TCS entered into an open-end promissory note with Charles E. Graham (payee) in the amount of \$150,000 to be repaid with interest at a rate of 8 percent. The entire unpaid principal balance together with accrued interest shall be due and payable upon demand.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

12. SHORT-TERM DEBT – Charles E. Graham (Continued)

On August 20, 2007, the Note was amended to increase the principal amount available to \$250,000. On May 5, 2009, the payee rescinded its contractual claim on any unpaid accrued interest and future interest on any outstanding balance for the term of the letter of credit. No interest payable is reported for the year ended June 30, 2010. At June 30, 2010, TCS had an outstanding principal balance of \$117,000 that has been recorded as a line of credit payable in the Statement of Net Assets.

13. RELATED PARTY TRANSACTION

As listed above, board member Charles E. Graham holds a line of credit for TCS. The terms and outstanding balances are listed above in Note 12. This transaction is in violation of TCS's sponsor agreement with the Educational Service Center of Central Ohio.

14. TAX EXEMPT STATUS

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

15. SPONSOR

TCS Board Resolution #47 extended its sponsorship agreement with Delaware-Union Educational Service Center (the Sponsor) for a twelve month period ending June 30, 2009. Under this agreement, TCS was to remit 2.5% of foundation receipts to the Sponsor. However, Board Resolution #53, adopted and approved on April 16, 2008 modified the fee amount from a fixed 1.5% of foundation receipts to "up to" 3%. TCS paid fees to the Sponsor totaling \$33,277 for the year ended June 30, 2010. The payments are reported in the Statement of Revenue, Expenses and Change in Fund Net Assets as part of Purchased Services- Professional Services.

On May 13, 2009, a sponsorship agreement was executed between TCS and the Educational Service Center of Central Ohio for a five (5) year period beginning July 1, 2009. The pre-existing contract with Delaware-Union Educational Service Center expired on June 30, 2009.

16. MANAGEMENT AGREEMENT WITH THE GRAHAM SCHOOL

Effective July 1, 2007, TCS entered into a two year Management Agreement (the Agreement) with TGS. The Agreement's term ran through June 30, 2009 and was subsequently renewed on July 8, 2009 and modified on August 12, 2009 to cover the periods ending January 31, 2010 and December 31, 2010 respectively. Per the contract, TGS receives up to ninety-five (95) percent of TCS' federal and state awards, after a minimum of five (5) percent is spent by TCS to pay its direct expenses. TGS owes TCS net fees for billed expenses in the amount of \$48,195. TCS management fee expense for the fiscal year total \$1,548,220, as reported in the Statement of Revenues, Expenses and Changes in Net Assets. Of this fee, \$1,040,788 was for related fees and \$507,432 was for grant related reimbursements

TCS and TGS have common board members as of June 30, 2010.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

17. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2010, TGS paid the following expenses on-behalf of TCS:

Expenses	<u>2010</u>
Direct Expenses:	
Salaries and Wages	781,111
Employees' Benefits	192,913
Professional & Technical Services	40,003
Indirect Expenses:	
Overhead	<u>354,847</u>
Total Expenses	1,368,874

Overhead charges are assigned to TCS based on a percentage of full-time equivalent student enrollment. These charges represent the indirect cost of services provided in the operation of TCS. 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.

18. SUBSEQUENT EVENTS

On July 21, 2010, the TCS Board approved a modified agreement with TGS to commence July 1, 2010 through December 31, 2011, which further defined the roles of TGS and TCS in the agreement.

19. CHANGE IN ACCOUNTING PRINCIPLE

For fiscal year 2010, the School has implemented Governmental Accounting Standards Board (GASB) *Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments"* and *Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards."*

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the School's financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants' and auditing literature into the GASB's accounting and financial reporting literature for state and local governments. The statement's guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the School's financial statements.

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**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Federal Grantor/ Pass Through Grantor Program Title	Grant Award Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
National School Lunch Program	2010	10.555	\$ 60,443	\$ 60,443
Total U.S. Department of Agriculture			60,443	60,443
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Special Education Grants to States	2010	84.027	15,288	17,488
Special Education Grants to States - ARRA	2010	84.391	9,029	9,029
Total Special Education Grants to States			24,317	26,517
State Fiscal Stabilization Fund - Education State Grants- ARRA	2010	84.394	99,861	99,861
Title I Grants to Local Educational Agencies	2010	84.010	275,718	275,718
Title I Grants to Local Educational Agencies - ARRA	2010	84.389	55,778	55,778
Total Title I Grants to Local Educational Agencies			331,496	331,496
Safe and Drug Free Schools and Communities - State Grants	2010	84.186	1,322	1,322
Public Charter School Program	2009	84.282	-	3,602
Improving Teacher Quality State Grants	2010	84.367	11,765	11,765
Educational Technology State Grants	2010	84.318	3,079	3,079
Total U.S. Department of Education			471,840	477,642
Totals			\$ 532,283	\$ 538,085

The accompanying notes are an integral part of this schedule.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports The Charles School at Ohio Dominican University (the School's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School assumes it expends federal monies first.



Mary Taylor, CPA

Auditor of State

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

The Charles School at Ohio Dominican University
Franklin County
1270 Brentnell Ave
Columbus, Ohio 43219

To the Board:

We have audited the financial statements of The Charles School at Ohio Dominican University, Franklin County, Ohio (the School) as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 3, 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 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 or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2010-001.

We also noted certain matters not requiring inclusion in this report that we reported to the School's management in a separate letter dated December 3, 2010.

We intend this report solely for the information and use of the audit committee, management, the Board, the School's sponsor (the Educational Service Center of Central Ohio), federal awarding agencies, and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 3, 2010



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Charles School at Ohio Dominican University
Franklin County
1270 Brentnell Ave
Columbus, Ohio 43219

To the Board:

Compliance

We have audited the compliance of The Charles School at Ohio Dominican University, Franklin County, Ohio (the School) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the School's major federal program for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the School's major federal program. The School's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, The Charles School at Ohio Dominican University, Franklin County, Ohio complied, in all material respects, with the requirements referred to above that that could directly and materially affect its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could directly and materially affect the major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

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

We intend this report solely for the information and use of the audit committee, management, the Board, the School's sponsor (the Educational Service Center of Central Ohio), federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 3, 2010

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I, CFDA # 84.010 Title I ARRA, CFDA #84.389
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2010
(Continued)

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

Finding Number	2010-001
-----------------------	-----------------

Sponsorship Agreement – Noncompliance Finding

The Sponsorship agreement with the Educational Service Center of Central Ohio, Exhibit 3, states that none of the members of the board will have contracts with the School.

The Charles School entered into an open-end promissory note line of credit with Board Member, Charles Graham, for which \$117,000 of the \$250,000 limit was drawn on at June 30, 2010. This loan agreement between The Charles School and Charles Graham is prohibited as per the Sponsorship Agreement.

We recommend the Board approve and permit only contracts not involving the membership of the Board.

We did not receive an Official Response for the finding denoted above

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
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; Explain:
2009-001	Sponsorship Agreement due to a Board Member entering into a contract (Line of Credit) with the School	No	Reissued as Finding 2010-001

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

The Charles School at Ohio Dominican University
Franklin County
1270 Brentnell Avenue
Columbus, Ohio 43219

To the Board:

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 The Charles School at Ohio Dominican University, 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 April 16, 2008 and passed a revised policy on September 9, 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;

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;

88 E. Broad St. / Tenth Floor / Columbus, OH 43215-3506
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- (5) A procedure for documenting any prohibited incident that is reported;
- (6) A procedure for responding to and investigating any reported incident;
- (7) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (8) 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;
- (9) A requirement that the district administration semiannually provide the president of the School's 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 and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 3, 2010



Mary Taylor, CPA
Auditor of State

THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY

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
JANUARY 27, 2011**