

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

*(AUDITED)*

**BASIC  
FINANCIAL STATEMENTS**

*FOR THE FISCAL YEAR ENDED  
JUNE 30, 2011*

**JESSE HEMPHILL, TREASURER**





# Dave Yost • Auditor of State

Board of Directors  
Educational Academy for Boys and Girls  
1500 West 3rd, Suite 125  
Columbus, Ohio 43212

We have reviewed the *Independent Accountants' Report* of the Educational Academy for Boys and Girls, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 2, 2012

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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Independent Accountants' Report

Educational Academy for Boys and Girls  
1500 West 3<sup>rd</sup> Ave.  
Suite 125  
Columbus, OH 43212

To the Board of Directors:

We have audited the accompanying financial statements of the Educational Academy for Boys and Girls, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Educational Academy for Boys and Girls' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Educational Academy for Boys and Girls' 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Educational Academy for Boys and Girls, as of June 30, 2011, and the respective changes in financial position, and its cash flows for the fiscal 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 28, 2011 on our consideration of the Educational Academy for Boys and Girls' 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.

Independent Accountants' Report  
Educational Academy for Boys and Girls  
Page Two

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 cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
December 28, 2011



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The discussion and analysis of Educational Academy for Boys and Girls (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2011. 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 fiscal year ended June 30, 2011 are as follows:

- Total net assets of the School decreased \$14,595. Ending net assets of the School were \$42,608 compared with \$57,203 at June 30, 2010.
- Total assets increased \$372 and total liabilities increased by \$14,967 from the prior year audit.
- The School's operating loss was \$129,759 compared with an operating loss of \$119,754 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 FISCAL YEAR ENDED JUNE 30, 2011  
(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, 2011 compared to those reported for June 30, 2010.

Table 1  
Net Assets

	2011	2010
Assets:		
Current Assets	\$ 38,443	\$ 19,266
Capital assets, net	19,132	37,937
Total Assets	57,575	57,203
Liabilities		
Current liabilities	14,967	-
Total Liabilities	14,967	-
Net Assets:		
Invested in capital assets	19,132	37,937
Restricted	2,463	1,405
Unrestricted	21,013	17,861
Total Net Assets	\$ 42,608	\$ 57,203

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

The total assets of the School increased by \$372, which represents a .6 percent increase from total assets reported for fiscal year 2010. This is the result of depreciation and an increase in intergovernmental receivables. Intergovernmental receivables reported at June 30, 2011 were \$24,601.

Total liabilities of the School increased \$14,967 over those reported in fiscal year 2010.

The total net assets reported for fiscal year 2011 decreased by \$14,595. Unrestricted net assets increased by \$3,152. Restricted net assets increased by \$1,058.

Table 2 shows the changes in net assets for fiscal year ended June 30, 2011 as compared to changes reported for fiscal year ended June 30, 2010.

Table 2  
Change in Net Assets

	2011	2010
Operating Revenues:		
Foundation	\$ 381,956	\$ 247,932
Non Operating Revenues:		
State & Federal Grant Revenue	109,370	110,521
Other Revenue	7,063	-
Total Revenues	498,389	358,453
Operating Expenses:		
Purchased Services	479,523	348,611
Materials and Supplies	13,387	270
Depreciation	18,805	18,805
Non Operating Expenses:		
Other Expenses	1,269	80
Total Expenses	512,984	367,766
Change in Net Assets	(14,595)	(9,313)
Net Assets, Beginning of Year	57,203	66,516
Net Assets, End of Year	\$ 42,608	\$ 57,203

Total revenue increased \$139,936 during this fiscal year compared with the prior fiscal year due to an increase in foundation revenues.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**

Expenses reported for this fiscal year were \$145,218 more than the expenses reported for fiscal year 2010.

**Capital Assets**

At the end of fiscal year 2011, the School had \$19,132 invested in furniture and equipment. There were no purchases which met the School's capitalization threshold during the year. See Note 4 of the basic financial statements for additional details.

**Debt**

At June 30, 2011, 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 1500 West 3rd Ave., Suite 125, Columbus, OH 43212.

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

**STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011**

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ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 13,842
Intergovernmental Receivables	<u>24,601</u>

CURRENT ASSETS

38,443

NON-CURRENT ASSETS

Capital Assets (net of Accumulated Depreciation)	<u>19,132</u>
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TOTAL ASSETS

\$ 57,575

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	<u>\$ 14,967</u>
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Total Current Liabilities	<u>14,967</u>
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TOTAL LIABILITIES

14,967

NET ASSETS

Invested in Capital Assets	19,132
Restricted	2,463
Unrestricted	<u>21,013</u>

TOTAL NET ASSETS

\$ 42,608

See accompanying notes to the basic financial statements.

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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OPERATING REVENUES:

Foundation	<u>\$ 381,956</u>
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OPERATING EXPENSES

Purchased Services	479,523
Materials and Supplies	13,387
Depreciation	<u>18,805</u>

Total Operating Expenses	<u>511,715</u>
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Operating Loss	<u>(129,759)</u>
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NON-OPERATING REVENUES/(EXPENSES)

State and Federal Grant Revenue	109,370
Other Revenue	7,063
Other Expenses	<u>(1,269)</u>

Total Non-Operating Revenues/(Expenses)	<u>115,164</u>
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Changes in net assets	(14,595)
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Net Assets, Beginning of Year	<u>57,203</u>
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Net Assets, End of Year	<u><u>\$ 42,608</u></u>
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See accompanying notes to the basic financial statements.

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

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**Cash Flows from Operating Activities**

Cash Received from State of Ohio	\$ 370,575
Cash Payments to Suppliers for Goods and Services	<u>(477,943)</u>
Net Cash Used for Operating Activities	<u>(107,368)</u>

**Cash Flows from Noncapital Financing Activities**

Federal and State Grants	103,997
Other Revenue	7,063
Other Expenses	<u>(1,269)</u>
Net Cash Provided by Noncapital Financing Activities	<u>109,791</u>

Net Increase in Cash and Cash Equivalents 2,423

Cash and Cash Equivalents, Beginning of Year 11,419

Cash and Cash Equivalents, End of Year \$ 13,842

**Reconciliation of Operating Loss to Net Cash Used for Operating Activities**

Operating Loss	<u>\$ (129,759)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	18,805
Changes in Assets and Liabilities:	
(Increase) Decrease in Intergovernmental Receivables Related to State Foundation	(11,381)
Increase (Decrease) in Accounts Payable	<u>14,967</u>
Total Adjustments	<u>22,391</u>
Net Cash Used for Operating Activities	<u><u>\$ (107,368)</u></u>

See accompanying notes to the basic financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>1. Description of the School and Reporting Entity</b>
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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 30<sup>th</sup> 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.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**2. Summary of Significant Accounting Policies**

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (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 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 FISCAL YEAR ENDED JUNE 30, 2011**

**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 has a capitalization threshold of \$1,000. 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:

<b><u>Description</u></b>	<b><u>Estimated Life</u></b>
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.

Intergovernmental revenues associated with the Foundation Program totaled \$381,956 and revenues associated with specific education grants from the state and federal governments totaled \$109,370 during fiscal year 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>2. Summary of Significant Accounting Policies (Continued)</b>
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**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.

<b>3. Deposits</b>
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At June 30, 2011, the carrying amount of the School's deposits was \$13,842 and the bank balance was \$13,843. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**4. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	<u>Balance 6/30/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/11</u>
<b>Capital Assets:</b>				
Furniture and Equipment	\$ 94,026	\$ -	\$ (2,140)	\$ 91,886
Total Assets	<u>94,026</u>	<u>-</u>	<u>(2,140)</u>	<u>91,886</u>
<b>Depreciation:</b>				
Furniture and Equipment	<u>(56,089)</u>	<u>(18,805)</u>	<u>2,140</u>	<u>(72,754)</u>
Accumulated Depreciation	<u>(56,089)</u>	<u>(18,805)</u>	<u>2,140</u>	<u>(72,754)</u>
<b>Net Capital Assets</b>	<u><u>\$ 37,937</u></u>			<u><u>\$ 19,132</u></u>

**5. Defined Benefit Pension Plans**

**A. School Employees Retirement System**

**Plan Description**

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Funding Policy**

Plan members are required to contribute 10% of their annual covered salary and the school is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The 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 Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School's required contributions for pension obligations to SERS are paid and reported by the Management Co. (Note 11).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>5. Defined Benefit Pension Plans (Continued)</b>
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**B. State Teachers Retirement System**

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](http://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. 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.

For the fiscal year ended June 30, 2010 (latest information available), 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**5. Defined Benefit Pension Plans (Continued)**

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**

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

**Medicare Part B Plan**

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit 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 B premium or the current premium. The Medicare Part B monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to 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 2011, the actuarially required allocation is .76%. The School's required contributions are paid and reported by the Management Co. (Note 11).

**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 HMOs, PPOs, 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 Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**6. Post-Employment Benefits (Continued)**

Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's required contributions are paid and reported by the Management Co. (Note 11).

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for 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 on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**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](http://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).

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**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, 2011 the School reported \$2,463 in restricted net assets.

**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, 2011.

**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. The results of this review could result in state funding being adjusted; this resulted in underpayment of state funding in the amount of \$11,381 for fiscal year 2011. This amount has been included as an intergovernmental receivable on the accompanying financial statements.

**C. Purchased Services:**

During the fiscal year ended June 30, 2011, purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$ 444,079
Property Services	32,246
Meeting	3,198
Total Purchased Services	<u>\$ 479,523</u>



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>10. Management Agreement</b>
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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. Additionally Educational Solutions Co. will assume the obligations of the School under the existing contract.

The Academy is a party to a fiscal services agreement Hemphill & Associates ("H&A"), which is a certified public accounting company. The Agreement's term is for a twelve month period beginning July 1, 2010, 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**11. Management Company Expenses**

For the year ended June 30, 2011 Educational Solutions Co. incurred the following expenses on behalf of the School:

Direct Expenses:	
Salaries & wages	\$ 126,053
Employees' benefits	27,443
Professional & technical services	30,785
Property services	24,122
Travel	2,013
Communications	59
Other supplies	774
Other direct costs	519
Indirect Expenses:	
Overhead	<u>66,577</u>
<b>Total Expenses</b>	<u><u>\$ 278,345</u></u>

**12. Subsequent Event**

As of July 1, 2011, the School moved its location to 85 Clarendon Avenue, Columbus, Ohio 43223.

In addition, a new lease agreement was signed with J. Ashburn Youth Center for July 1, 2011 through June 30, 2012 at a cost of \$7,000 per month.



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### **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  
1500 West 3<sup>rd</sup> Ave.  
Suite 125  
Columbus, OH 43212

To the Board of Directors:

We have audited the financial statements of the Educational Academy for Boys and Girls, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Educational Academy for Boys and Girls' basic financial statements and have issued our report thereon dated December 28, 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 Educational Academy for Boys and Girls' 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 Educational Academy for Boys and Girls' internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Educational Academy for Boys and Girls' 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 Educational Academy for Boys and Girls' 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.

Board of Directors  
Educational Academy for Boys and Girls

Compliance and Other Matters

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

We intend this report solely for the information and use of the management, Board of Directors of the Educational Academy for Boys and Girls, the sponsor and others within the Educational Academy for Boys and Girls. We intend it for no one other than these specified parties.

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

Julian & Grube, Inc.  
December 28, 2011

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

**STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
2010-001	Ohio Revised 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.	Yes	N/A

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# 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  
MARCH 15, 2012**