

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

*Audited Financial Statements*

For the fiscal year ended June 30, 2012

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# Dave Yost • Auditor of State

Board of Directors  
KIPP Journey Academy  
2080 Citygate Drive  
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the KIPP Journey Academy, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2011 through June 30, 2012. 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 KIPP Journey Academy is responsible for compliance with these laws and regulations.

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

Dave Yost  
Auditor of State

February 21, 2013



**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**TABLE OF CONTENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**TABLE OF CONTENTS**

Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	3
Statement of Net Assets.....	7
Statement of Revenues, Expenses, and Changes in Net Assets .....	8
Statement of Cash Flows .....	9
Notes to the Basic Financial Statements.....	10
Schedule of Expenditures of Federal Awards .....	21
Notes to the Schedule of Expenditures of Federal Awards .....	22
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards .....	23
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct And Material Effect on Each Major Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133.....	25
Schedule of Findings & Questioned Costs.....	27
Independent Accountant’s Report on Applying Agreed-Upon Procedure.....	28

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December 12, 2012

To The Board of Directors  
KIPP Journey Academy  
2080 Citygate Drive  
Columbus, OH 43219

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of KIPP Journey Academy, Franklin County, Ohio (the "Academy") as of and for the year ended June 30, 2012, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 Academy, as of June 30, 2012, and the respective changes in financial position and the 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 12, 2012 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the accompanying Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting 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 assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Rea & Associates, Inc.*



**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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The management's discussion and analysis of KIPP Journey Academy's (the "Academy"), financial performance provides an overall review of Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance. The 2012 fiscal year was the fourth full year of operations with students.

**Financial Highlights**

- Net Assets decreased \$163,688.
- Operating revenues accounted for \$1,940,220 in revenue or 65.9% of all revenues.
- Non-operating revenues accounted for \$1,005,497 in revenue or 34.1% of all revenues.

**Using these Basic Financial Statements**

This financial report consists of three parts – management's discussion and analysis, the basic financial statements and the notes to the financial statements. These statements are organized so the reader can understand the financial position of the Academy. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of net assets represents the statement of position of the Academy. The statement of revenues, expenses and changes in net assets presents increases (e.g., revenue) and decreases (e.g., expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs. Finally, the notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided on the basic financial statements.

**Reporting the Academy Financial Activities**

***Statement of Net Assets, Statement of Revenue, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2012?" The statement of net assets and the statement of revenue, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenue and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 10-20 of this report.

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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The following tables represent the Academy's condensed financial information for 2012 compared to 2011:

	<u>Net Assets</u>	
	<u>2012</u>	<u>2011</u>
Current assets	\$ 388,418	\$ 405,400
Capital assets, net	499,009	552,919
Total assets	<u>887,427</u>	<u>958,319</u>
Current liabilities	238,150	140,870
Noncurrent liabilities	<u>13,118</u>	<u>17,602</u>
Total liabilities	<u>251,268</u>	<u>158,472</u>
Net assets		
Invested in capital assets	485,891	535,317
Unrestricted	<u>150,268</u>	<u>264,530</u>
Total net assets	<u>\$ 636,159</u>	<u>\$ 799,847</u>

Results as of June 30, 2012 indicate an ending net asset balance of \$636,159, a decrease of \$163,688 from fiscal 2011. Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the Academy's assets exceeded liabilities by \$636,159.

At year-end, capital assets represented 56.2% of total assets. Capital assets consisted of leasehold improvements and furniture and equipment items. Capital Assets are used to provide services to students and are not available for future spending. The decrease in capital assets is due to current year depreciation exceeding additions. Current liabilities increased \$97,280 from 2011. This increase is from an increase to accounts payable resulting from the timing of expenses at year end.

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2012 compared to 2011:

	Change in Net Assets	
	2012	2011
Operating Revenues:		
Foundation	\$ 1,928,082	\$ 1,241,432
Fees	12,138	6,887
Total revenues	1,940,220	1,248,319
Expenses:		
Personal services	1,732,107	1,323,869
Purchased Services	1,109,744	879,138
Supplies and Materials	202,315	310,650
Depreciation	63,510	62,181
Total expenses	3,107,676	2,575,838
Operating Loss	(1,167,456)	(1,327,519)
Non Operating Revenues		
Donations	215,118	529,880
Federal & State Grants	790,379	1,006,901
Interest (expense) income, net	(1,729)	(2,197)
	1,003,768	1,534,584
Change in Net Assets	(163,688)	207,065
Net Assets Beginning of Year	799,847	592,782
Net Assets End of Year	\$ 636,159	\$ 799,847

The Academy operates as a business-type enterprise fund. Results of fiscal year 2012, indicates a decrease in net assets of \$163,688 and ending net assets of \$636,159. Fiscal 2012 was the Academy's fourth year of operations. In fiscal 2012 the Academy provided services to students in grades five through eighth, while fiscal 2011 had grades five through seven. The FTE's for 2012 was 301 students while the FTE for fiscal 2011 was 212 students. This was the primary cause to the increases in revenue and expenses. The Academy was organized in fiscal 2007 and operated in fiscal 2007 and fiscal 2008 through grants and donations in the amount \$264,805, while incurring start-up cost in the amount of \$253,669.

**Budgeting**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the Academy's contract with its sponsor. The contract between the Academy's and its sponsor, Thomas B. Fordham Foundation, does not prescribe a budgetary process for the Academy.

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

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*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2012  
Unaudited*

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**Capital Asset and Debt Administration**

Capital Assets

At June 30, 2012, the Academy had cost in capital assets in the amount of \$696,039. Total depreciation expense for 2012 was \$63,510. See note 5.

Debt

On September 22, 2009 the Academy entered in a capital lease arrangement for copier equipment which valued at \$23,762. Principal and interest payments for fiscal 2012 were \$4,484 and \$1,729, respectively.

**Economic Factors**

The Academy receives approximately 99.4% of its operating revenue from the Ohio Department of Education. Additionally, approximately 99.6% of all revenues are from the Ohio Department of Education or from grants and donations. As such the Academy is economically dependent on these two revenue sources.

**Operations**

The Academy is a legally separate non-profit corporation served by an appointed fourteen-member board of Directors and meets the definition of a community school under chapter 3314.01 of the Ohio Revised Code. The Academy is a student-focused community where all students develop the intellectual, academic, and social skills needed to understand and take action on issues they encounter in everyday life. In a rigorous, safe, and personalized learning environment, a culture of responsibility and service is fostered, empowering and equipping all learners to become more active and engaged citizens. The Academy offers education for Ohio Children in the fifth through sixth grade. The Academy may lease or acquire facilities as needed and contract for any services necessary for operations of the Academy.

The Academy contracted with The Educational Service Center of Central Ohio (ESCCO), for management services including management of personnel and human resources, technology, data management, financial reporting, compliance issues, budgets, and contracts for the fiscal year July 1, 2011 through June 30, 2012.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Academy's finances and to show its accountability for the money it receives. If you have questions about this report or need additional information, contact Alan R. Hutchinson, Treasurer of The Educational Service Center of Central Ohio.

KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO  
STATEMENT OF NET ASSETS  
JUNE 30, 2012

**ASSETS:**

**Current Assets:**

Cash and cash equivalents	\$	85,499
Intergovernmental receivable		259,597
Contribution receivable		39,500
Prepaid assets		3,822
<b>Total Current Assets</b>		<b>388,418</b>

**Non-Current Assets:**

Depreciable capital assets, net of accumulated depreciation		499,009
<b>TOTAL ASSETS</b>		<b>887,427</b>

**LIABILITIES:**

Current Liabilities:

Accounts payable		145,715
Due to other governments		48,378
Accrued wages		44,057

Long-term Liabilities:

Due within one year		5,007
Due in more than one year		8,111

<b>TOTAL LIABILITIES</b>		<b>251,268</b>
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**NET ASSETS:**

Invested in capital assets, net of related debt		485,891
Unrestricted		150,268

<b>TOTAL NET ASSETS</b>		<b>\$ 636,159</b>
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The notes to the basic financial statements are an integral part of this statement.

KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<b>Operating Revenues:</b>	
Foundation	\$ 1,928,082
Charges for services and other	12,138
<b>Total operating revenues</b>	<u>1,940,220</u>
 <b>Operating Expenses:</b>	
Personal services	1,732,107
Purchased services	1,109,744
Supplies and materials	202,315
Depreciation	63,510
<b>Total operating expenses</b>	<u>3,107,676</u>
 <b>Operating loss</b>	 <u>(1,167,456)</u>
 <b>Nonoperating revenues and expenses:</b>	
Donations and capital contributions	215,118
Federal & State grants	790,379
Interest expense	(1,729)
<b>Net nonoperating revenues</b>	<u>1,003,768</u>
 <b>Change in net assets</b>	 (163,688)
<b>Net assets at beginning of year</b>	<u>799,847</u>
<b>Net assets end of the year</b>	<u><u>\$ 636,159</u></u>

The notes to the basic financial statements are an integral part of this statement.

KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<b>Cash flows from operating activities:</b>	
Cash received for foundation payments	\$ 1,924,303
Cash received for fees	12,138
Cash payments for personal services	(1,718,689)
Cash payments purchased services	(1,008,318)
Cash payments for supplies and materials	(223,876)
<b>Net cash flows used for operating activities</b>	<u>(1,014,442)</u>
<b>Cash flows from noncapital financing activities</b>	
Donations	175,618
Federal & State grant monies received	775,187
<b>Net cash provided by noncapital financing activities</b>	<u>950,805</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	(9,600)
Principal paid on capital lease	(4,484)
Interest paid on capital lease	(1,729)
<b>Net cash used for capital and related financing activities</b>	<u>(15,813)</u>
<b>Net decrease in cash and cash equivalents</b>	(79,450)
<b>Cash and cash equivalents at beginning of year</b>	<u>164,949</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 85,499</u></u>
<b>Reconciliation of operating loss to net cash used for operating activities:</b>	
Operating loss	\$ (1,167,456)
Adjustment to reconcile operating loss to net cash used for operations:	
Depreciation	63,510
Changes in assets and liabilities:	
Increase in operating governmental receivables	(7,776)
Increase in operating accounts payable	79,865
Increase in accrued liabilities	17,415
<b>Net cash used for operating activities</b>	<u><u>\$ (1,014,442)</u></u>

The notes to the basic financial statements are an integral part of this statement.

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

KIPP Journey Academy (the "Academy") is a legally separate nonprofit corporation served by an appointed nine-member board of Directors and meets the definition of a community school under chapter 3314 of the Ohio Revised Code. The Academy is a student-focused community where all students develop the intellectual, academic, and social skills needed to understand and take action on issues they encounter in everyday life. In a rigorous, safe, and personalized learning environment, a culture of responsibility and service is fostered, empowering and equipping all learners to become more active and engaged citizens. The Academy offers education for children in the fifth through eighth grade. The Academy may sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with Thomas B. Fordham Foundation (the "Sponsor") for a period of five academic years commencing after July 1, 2008 and ending June 30, 2013. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Educational Service Center of Central Ohio ("ESCCO") serves as the fiscal agent for the Academy (see Note 10).

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the Academy consists of all funds, departments, boards, and agencies that are not legally separate from the Academy. For the Academy, this includes instructional activities of the Academy.

Component units are legally separate organizations for which the Academy is financially accountable. The Academy is financially accountable for an organization if the Academy appoints a voting majority of the organization's governing board and (1) the Academy is able to significantly influence the programs or services performed or provided by the organization; or (2) the Academy is legally entitled to or can otherwise access the organization's resources; the Academy is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Academy is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Academy in that the Academy approves the budget and issuance of debt. The Academy has no component units.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to the November 30, 1989 are included in the codification. The Academy does not apply FASB Statements or Interpretation issued after November 30, 1989. The Academy's significant accounting policies are described below.



**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**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) 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 revenue 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**

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. Statement of revenue, expenses and changes in net assets present increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. Basis of accounting refers to when revenue and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement 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 Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts and spending plans. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy.

**D. Cash and Cash Equivalents**

Cash received by the Academy is maintained in demand deposit accounts. The Academy had no investments during the fiscal year ended June 30, 2012.

**E. Capital Assets**

The Academy's capital assets during fiscal year 2012 consisted of building leasehold improvements and furniture and equipment. All capital assets are capitalized at 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 Academy maintains a capitalization threshold of five thousand dollars. The Academy does not have any infrastructure. Building leasehold 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 capital assets are depreciated. Depreciation is computed using the straight-line method. Furniture and fixtures are being depreciated over ten years. Leasehold improvements are being depreciated over the life of the remaining lease agreement.

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation and related debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**G. Intergovernmental Revenue**

The Academy currently participates in the State Foundation Program, as well as the Child Nutrition Cluster, Title I, Title II-A, Title II-D, Title VI-B, Education Jobs, Investing in Innovation, and the 21<sup>st</sup> Century grant programs. Revenues received from the State Foundation Program are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Federal and State grant revenue for fiscal year 2012 was \$790,379, exclusive of the State Foundation Program.

**H. Accrued Liabilities**

The Academy has recognized certain expenses due, but unpaid as of June 30, 2012. These expenses are reported as accrued liabilities in the accompanying financial statements.

**I. Prepayments**

Certain payments to vendors reflect the cost applicable to future accounting periods and are recorded as prepaid items in the statement of net assets. These items are reported as assets on the statements of net assets using the consumption method. A current asset for prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**J. Operating Revenues and Expenses**

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

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. Estimates**

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

**L. Economic Dependency**

The Academy receives approximately 99.6% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue, the Academy is considered to be economically dependent on the State of Ohio Department of Education.

**3. CASH DEPOSITS**

**Deposits with Financial Institutions**

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% 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 the District.

At June 30, 2012, the carrying amount of all the deposits was \$85,499. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$0 of the Academy's bank balance of \$141,175, was exposed to custodial risk as discussed above, while \$141,175 was covered by the Federal Deposit Insurance Corporation.

**4. RECEIVABLES**

At June 30, 2012, the Academy had intergovernmental receivables in the amount of \$259,597. The receivables are expected to be collected within one year and are comprised as follows:

	Amount
<b>Intergovernmental receivables:</b>	
State Foundation - FTE Adjustment	\$ 3,779
Title VIB B	9,800
Title I	86,579
ED Jobs	901
Title II-A	638
21st Century Grant	66,159
Investing in innovation	70,859
Federal Lunch Program	16,885
Other	3,997
	\$ 259,597

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**5. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2012</u>
Leasehold Improvements	\$ 609,775	\$ -	\$ -	\$ 609,775
Furniture and equipment	76,664	9,600		86,264
Less: Accumulated Depreciation	<u>(133,520)</u>	<u>(63,510)</u>	<u>-</u>	<u>(197,030)</u>
Net Capital Assets	<u>\$ 552,919</u>	<u>\$ (53,910)</u>	<u>\$ -</u>	<u>\$ 499,009</u>

**6. PURCHASED SERVICES**

For the fiscal year ended June 30, 2012, purchased services expenses were as follows:

	<u>Amount</u>
Staff Development	\$ 38,066
Student Services	54,055
Transportation Services	256,967
Fiscal, Staff and Administrative Services	219,787
Liability Insurance	14,160
Printing and Postage	5,666
Utilities	62,632
Professional Services	17,249
Food Services	227,770
Building Services	<u>213,392</u>
Total	<u>\$ 1,109,744</u>

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**7. BUILDING LEASE**

The Academy has entered into a lease for the period from July 1, 2008 through June 30, 2018 with Columbus City School District. The Academy has the option to renew the lease with Columbus City Schools for a renewal term of July 1, 2018 through June 30, 2028. Under the lease agreement, the Academy is responsible for paying all utilities, maintenance, and repairs, and applicable property taxes. Rent charges and other occupancy costs for the Academy totaled \$177,943 for the fiscal year.

There is a scheduled inflationary rent adjustment (lesser of 13.5 % or CPI factor) effective July 1, 2013.

The following is a schedule of the future minimum payments; excluding allowable facility costs passthroughs, required under the operating lease as of June 30, 2012.

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 55,345
2014	62,817
2015	62,817
2016	62,817
2017	62,817
2018	62,817
Total minimum lease payments	<u>\$ 369,430</u>

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**8. Debt**

Capital lease

In 2010 the Academy entered into a copier lease agreement with an asset value of \$23,762. This lease meets the criteria of a capital lease as defined by Statement of the Financial Accounting Standards No. 13 "Accounting of Leases."

The principal and interest payments made on the leases during fiscal 2012 were \$4,484 and \$1,729, respectively.

The Academy's future minimum lease payments under capital lease obligations as of June 30, 2012 are as follows:

<u>Year ending June 30,</u>	<u>Capital Lease</u>
2013	\$ 6,213
2014	6,213
2015	<u>2,588</u>
Total minimum lease payments	15,014
Less: amounts representing interest	<u>1,896</u>
Present value of minimum lease payments	<u><u>\$ 13,118</u></u>

**9. SPONSOR**

The Academy was approved for operation under a contract with the Thomas B. Fordham Foundation (the Sponsor) through June 30, 2013. As part of this contract, the Sponsor is entitled to a maximum of 2% of state foundation. The Sponsor was paid \$29,663 in sponsorship fees for fiscal year 2012.

**10. SERVICE AGREEMENT**

The Academy entered into a service contract with the Educational Service Center of Central Ohio (ESCCO), for fiscal year 2012, to provide fiscal, student data, and Comprehensive Continuous Planning (CCP) consulting services. The Academy paid ESCCO \$76,860 in service fees for fiscal year 2012.

**11. RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2011, the Academy had general liability insurance through Ohio Casualty Insurance.

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

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

**12. Defined Benefit Pension Plans**

State Teachers Retirement System

Plan Description - The School District 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](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 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, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2012, 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.

The Academy's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2012, 2011 and 2010 were \$166,117, \$107,942, and \$56,603, respectively.

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling 614-222-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent 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, allocated the current employer contribution rate among the four funds (Pension Trust, Death Benefit, Medicare B, and Health Care funds) of the system. For fiscal year ending June 30, 2012, it was determined the employer contribution rate to pension and death benefits to be 12.70%, with the remaining 1.30% of the 14% employer contribution rate allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the years ended June 30, 2012, 2011 and 2010 were \$26,208, \$36,739, and \$33,412, respectively.

**13. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System

Plan Description – The School District 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. 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. All benefit recipients pay a monthly premium. 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 –Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011 (latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2012, \$11,866 of the Academy's contributions were used to fund post-employment health care cost.

School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's,



**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS's reimbursement to retirees was \$45.50. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to offer health care benefits to eligible retirees and beneficiaries and to fund them through employer contributions. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund and Medicare B Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount, pro-rated according to service credit earned. Statutes provide 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 surcharge. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care fund. . For the fiscal year ended June 30, 2012 Academy contributions to the Health Care Plan, including the surcharge, was \$1,030.

**14. OTHER EMPLOYEE BENEFITS**

The Academy has contracted through an independent agent to provide employee medical and dental, insurance to its full time employees. The Academy pays a portion of the monthly premiums for a selected coverage (medical and dental).

**15. CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2012.

**B. Full Time Equivalency**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The result of this review for fiscal year 2012 was an

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

adjustment of \$3,779 to state foundation revenue due to the Academy. This adjustment has been reflected in the basic financial statements.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**16. TAX EXEMPT STATUS**

The Academy is approved under Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization.

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<b>U. S. Department of Agriculture</b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program	10.553	2012	\$ 52,740	\$ 52,740
National School Lunch Program	10.555	2012	125,138	125,138
<i>Total Child Nutrition Cluster</i>			<u>177,878</u>	<u>177,878</u>
<b>Total U.S Department of Agriculture</b>			<u>177,878</u>	<u>177,878</u>
<b>U. S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I Cluster:</i>				
Title I - Grants to LEA's	84.010	2011	56,007	14,654
Title I - Grants to LEA's	84.010	2012	212,045	302,097
ARRA - Title I: Grants to LEA's	84.389	2011	14,024	14,024
<i>Total Title I Cluster</i>			<u>282,077</u>	<u>330,775</u>
<i>Special Education Cluster:</i>				
Special Education - Grants to States	84.027	2011	6,074	2,260
Special Education - Grants to States	84.027	2012	26,861	26,135
ARRA - Special Education - Grants to States	84.391	2011	388	388
<i>Total Special Education Cluster</i>			<u>33,322</u>	<u>28,783</u>
Safe and Drug Free Schools	84.186	2012	6,750	0
Public Charter School Grant	84.282	2011	49,866	55,283
21st Century Grant	84.287	2011	63,475	36,328
21st Century Grant	84.287	2012	133,841	181,313
<i>Total 21st Century Grant</i>			<u>197,316</u>	<u>217,641</u>
Title II-D - Education Technology	84.318	2011	961	1,148
Title II-D - Education Technology	84.318	2012	1,899	1,899
<i>Total Title II-D - Education Technology</i>			<u>2,860</u>	<u>3,047</u>
Title II-A - Improving Teacher Quality	84.367	2011	5,608	4,534
ARRA - SFSF - Education State Grants	84.394	2011	0	14,421
Education Jobs Fund	84.410	2012	1,082	1,983
<i>Total Passed Through Ohio Department of Education:</i>			578,881	656,467
<i>Passed Through KIPP Foundation:</i>				
Investing in Innovation	84.396A	2011	15,505	0
Investing in Innovation	84.396A	2012	0	70,859
<i>Total Investing in Innovation</i>			<u>15,505</u>	<u>70,859</u>
<i>Total Passed Through KIPP Foundation</i>			<u>15,505</u>	<u>70,859</u>
<b>Total U.S. Department of Education</b>			<u>772,264</u>	<u>727,326</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 772,264</u>	<u>\$ 905,204</u>

**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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**Note A – Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the Academy’s federal award programs. The schedule has been prepared on the cash basis of accounting.

**Note B – Commingled Funds**

Federal money is commingled with non-federal money for the Child Nutrition Cluster. It is assumed federal monies are expended first.

**Note C - Transfers**

The Academy generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a Academy can transfer unspent Federal assistance to the succeeding year, thus allowing the Academy a total of 27 months to spend the assistance. During fiscal year 2011 the ODE authorized the following transfers:

<u>CFDA</u>		<u>Program</u>		
<u>Number</u>	<u>Program Title</u>	<u>Year</u>	<u>Transfers Out</u>	<u>Transfers In</u>
84.010	Title I - Grants to LEA's	2011	\$ 34,236	
84.010	Title I - Grants to LEA's	2012		\$ 34,236

**Note D – Investing in Innovation**

During fiscal year 2011 and 2012 the district participated in the Investing in Innovation (i3) grant awarded by the KIPP foundation. The \$15,505 was the final installment received in during fiscal year 2012 as reimbursement for approved expenditures incurred and paid during fiscal year 2011 for salaries of an assistant principal. The \$70,859 expended during 2012 for a performance evaluation manager and an assistant principal per the grant agreement will be reimbursed during fiscal year 2013.

December 12, 2012

To the Board of Directors  
KIPP Journey Academy  
2080 Citygate Drive  
Columbus, OH 43219

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of KIPP Journey Academy, Franklin County, Ohio (the "Academy") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

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

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 to be material weaknesses, as defined above.

KIPP Journey Academy  
Report on Internal Control over Financial Reporting  
And on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance With  
Government Auditing Standards  
Page 2 of 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Academy in a separate letter dated December 12, 2012.

This report is intended solely for the information and use of the Board of Directors, management, the Academy's sponsor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

December 12, 2012

To the Board of Directors  
KIPP Journey Academy  
2080 Citygate Drive  
Columbus, OH 43219

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of KIPP Journey Academy, Franklin County, Ohio (the "Academy") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy'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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion 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 expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance 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 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.

This report is intended solely for the information and use of the Board of Directors, management, the Academy's sponsor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Hea & Associates, Inc.*



**KIPP JOURNEY ACADEMY  
FRANKLIN COUNTY, OHIO**  
*Schedule of Findings & Questioned Costs  
OMB Circular A-133, Section .505  
June 30, 2012*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Was there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I Cluster 21 <sup>st</sup> Century Grant	#84.010, 84.389 (ARRA) #84.287
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

None Noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted

December 12, 2012

To the Board of Directors  
KIPP Journey Academy  
2080 Citygate Drive  
Columbus, OH 43219

### **Independent Accountant's Report on Applying Agreed-Upon Procedure**

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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether KIPP Journey Academy (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Academy did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Academy to amend its definition by September 28, 2010.

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 Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*



# Dave Yost • Auditor of State

**KIPP JOURNEY ACADEMY**

**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 5, 2013**