



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2012
Fiscal Year Audited Under GAGAS: 2012



Dave Yost • Auditor of State

Board of Trustees
Noble Academy - Columbus
1329 Bethel Road
Columbus, Ohio 43220

We have reviewed the *Independent Auditor's Report* of the Noble Academy - Columbus, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, 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 Noble Academy - Columbus 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 22, 2013

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NOBLE ACADEMY - COLUMBUS
YEAR ENDED JUNE 30, 2012

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

Members of the Board
Noble Academy - Columbus
Franklin County
1329 Bethel Road
Columbus, Ohio 43220

We have audited the accompanying financial statements of the business-type activities of Noble Academy - Columbus, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Noble Academy - Columbus, Franklin County, Ohio, as of June 30, 2012, and the change in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School is experiencing certain financial difficulties. Those difficulties and Management's Plan are discussed in Note 14.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we do 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. The 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.

Noble Academy - Columbus
Franklin County, Ohio
Independent Auditor's Report
Page 2

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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
November 30, 2012

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The discussion and analysis of Noble Academy - Columbus, Inc.'s (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2012. Readers should also review the financial statements and notes to enhance their understanding of the School's financial performance.

Financial Highlights:

Key financial highlights for fiscal year 2012 are as follows:

- Total net assets decreased by \$114,788 from \$144,221 to \$29,433
- The School had total operating revenues of \$1,352,114
- The School had total operating expenses of \$2,003,727
- The total liabilities increased by \$73,788
- The School received Federal and State Grants of \$405,714

In fiscal year 2012, the School recorded a loss of \$114,788 due to the low enrollment. In fiscal year 2012, although the School increased its enrollment from 190 to 212, it was not sufficient enough to have an equal budget. In fiscal year 2013, the School increased its capacity to 280 students by adding two classrooms with a minor improvement. The School started the 2012–2013 school year with enrollment of 255 students and more than 100 students on the waiting list. The School's administration is planning to move operations to a larger facility with a much higher capacity to ensure financial stability.

Using this Financial Report:

This annual report consists of three parts; Management's Discussion and Analysis, the Financial Statements and Notes to the Financial Statements. The Financial Statements part includes a *Statement of Net Assets*, a *Statement of Revenues, Expenses and Change in Net Assets* and a *Statement of Cash Flows*.

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

The *Statement of Net Assets* and *Statement of Revenues, Expenses and Change in Net Assets* reflect how the School performed financially *during the fiscal year*. These statements include all assets and liabilities using the accrual basis of accounting which is similar to the accounting method used by most private-sector companies. This basis of accounting includes all the current year revenues and expenses regardless of when cash is received or paid. These statements can be found on pages 7 and 8 of this report.

The *Statement of Cash Flows* provides information about how the School financed and met the cash flow needs for its operations during the fiscal year. The School uses enterprise presentation for all its activities. The *Statement of Cash Flows* can be found on pages 9 and 10 of this report.

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

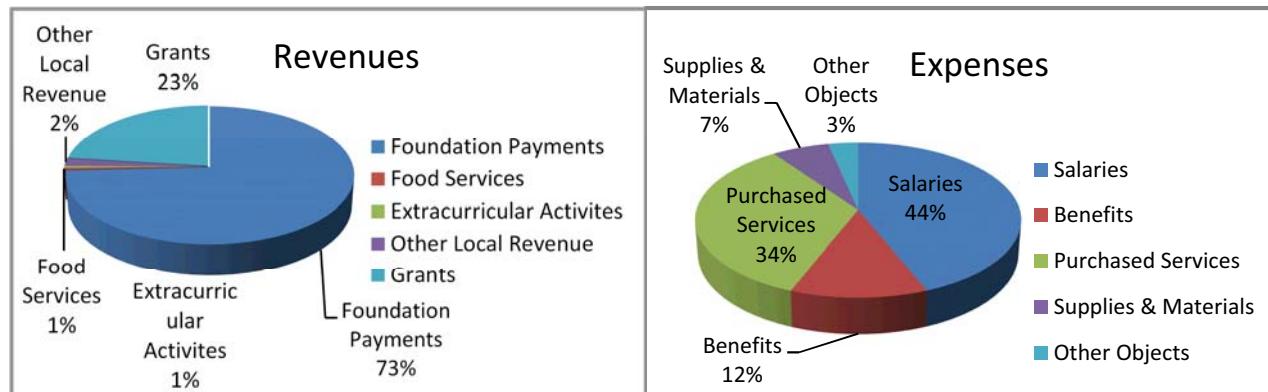
The following table provides a comparison of the School's Net Assets in fiscal years 2011 and 2012.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Assets		
Cash	\$ 3,812	\$ 4,962
Other Assets	56,962	42,702
Capital Assets	132,858	186,968
Total Assets	\$ 193,632	\$ 234,632
Liabilities		
Current Liabilities	\$ 164,199	\$ 90,411
Total Liabilities	164,199	90,411
Net Assets	\$ 29,433	\$ 144,221

In fiscal year 2012, the School's current liabilities increased by 82% due to the net loss and cash flow situation at the end of the fiscal year.

The Statement of Revenues, Expenses and Changes in Net Assets:

The *Statement of Revenues, Expenses and Change in Net Assets* shows the operating and non-operating activities took place during the fiscal year. The following charts are a summary of the School's revenues and expenses for the fiscal year ended June 30, 2012.



**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The following table is a summary of the Statement of *Revenues, Expenses and Change in Net Assets* for fiscal years 2011 and 2012.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
<u>Operational Income/Expense</u>		
Income		
Foundation Payments	\$ 1,304,265	\$ 1,108,298
Food Services	8,223	8,135
Extracurricular Activities	8,015	1,358
Other Local Revenue	31,611	27,634
Total Operational Income	<u>1,352,114</u>	<u>1,145,425</u>
Expense		
Salaries	854,164	737,343
Benefits	235,493	171,831
Purchased Services	666,564	616,677
Supplies & Materials	124,628	87,567
Other Objects	65,358	54,914
Depreciation Expense	57,520	61,866
Total Operational Expense	<u>2,003,727</u>	<u>1,730,198</u>
Net Operational Income	<u>(651,613)</u>	<u>(584,773)</u>
<u>Non-Operational Income/Expense</u>		
Federal Grants	402,413	409,613
State Grants	3,301	6,567
Management Fee Forgiveness	131,111	108,720
Net Non-Operational Income	<u>536,825</u>	<u>524,900</u>
<u>Net Assets</u>		
Change in Net Assets	<u>(114,788)</u>	<u>(59,873)</u>
Net Assets at Beginning of Year	<u>144,221</u>	<u>204,094</u>
Net Assets at End of Year	<u>\$ 29,433</u>	<u>\$ 144,221</u>

In fiscal year 2012, foundation revenues increased by 18% because of the increase in enrollment from 190 to 212 and the reinstatement of SFSF (State Fiscal Stabilization Fund) funds that were available for previous two fiscal years back to the State budget. Salaries increased by 16% and benefits 37% due to hiring of two teachers and supplies and materials increased by 42%. In fiscal year 2012, the School paid \$20,000 in management fees; the remaining fees of \$131,111 have been forgiven by the School's Management Company.

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Capital Assets:

As of June 30, 2012, Noble Academy - Columbus had \$132,858 invested in capital assets such as office equipment, school furniture, computers and a surveillance system, net of accumulated depreciation. The following table is a summary of Capital Assets as of June 30, 2012:

	Capital Assets				
	Beginning July 1, 2011	Additions	Deletions	Ending June 30, 2012	
Equipment- Instructional	\$ 269,687	\$ 3,410	\$ -	\$ 273,097	
Equipment- Office	4,841	-	-	4,841	
School Vehicles	6,000	-	-	6,000	
Improvements	41,500	-	-	41,500	
Total Fixed Assets	322,028	3,410	-	325,438	
Less: Accumulated Depreciation	(135,060)	(57,520)	-	(192,580)	
Net Fixed Assets	\$ 186,968	\$ (54,110)	\$ -	\$ 132,858	

Contacting the School's Financial Management:

This financial report is designed to provide citizens, grantors and potential creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Ryan Uysaler, Treasurer by mail at Concept Schools South Ohio Regional Office, 2356 Morse Rd. Columbus, OH 43235 or by phone at 614-428-7656.

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**Statement of Net Assets
For the Fiscal Year Ended June 30, 2012**

	<u>June 30, 2012</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 3,812
Intergovernmental Receivable	<u>46,292</u>
Total Current Assets	50,104
Non-Current Assets	
Security Deposit	10,670
Capital Assets (Net of Accumulated Depreciation)	<u>132,858</u>
Total Non-Current Assets	143,528
Total Assets	\$ 193,632
LIABILITIES & EQUITY	
Current Liabilities	
Accounts Payable	\$ 54,278
Intergovernmental Payable	13,892
Accrued Wages	56,503
Payroll Liabilities	<u>39,526</u>
Total Current Liabilities	164,199
Total Liabilities	<u>164,199</u>
NET ASSETS	
Investment in Capital Assets	132,858
Unrestricted	<u>(103,425)</u>
Total Net Assets	\$ 29,433

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**Statement of Revenues, Expenses
and Change in Net Assets
For the Fiscal Year Ended June 30, 2012**

June 30, 2012

Operational Income/Expense

Income

Foundation Payments	\$ 1,304,265
Food Services	8,223
Extracurricular Activities	8,015
Other Local Revenue	<u>31,611</u>
Total Operational Income	<u>1,352,114</u>

Expense

Salaries	854,164
Benefits	235,493
Purchased Services	666,564
Supplies & Materials	124,628
Other Objects	65,358
Depreciation Expense	<u>57,520</u>
Total Operational Expense	<u>2,003,727</u>

Net Operational Loss

(651,613)

Non-Operational Income/Expense

Federal Grants	402,413
State Grants	3,301
Management Fee Forgiveness	<u>131,111</u>
Net Non-Operational Income	<u>536,825</u>

Net Assets

Change in Net Assets	(114,788)
Net Assets at Beginning of Year	<u>144,221</u>
Net Assets at End of Year	<u>\$ 29,433</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**Statement of Cash Flows
For Fiscal Year Ended June 30, 2012**

	<u>June 30, 2012</u>
Cash Flows from Operating Activities	
Cash Received from State of Ohio	\$ 1,318,157
Cash Received from Other Operating Revenues	47,849
Cash Payments to Suppliers for Goods and Services	(612,470)
Cash Payments to Employees for Services	(866,657)
Cash Payments for Employee Benefits	(210,715)
Other Cash Payments	(65,358)
Net Cash Used for Operating Activities	(389,194)
Cash Flows from Noncapital Financial Activities	
Grants Received from Federal Government	388,153
Grants Received from State	3,301
Net Cash Provided by Noncapital Financial Activities	391,454
Cash Flows from Capital and Related Activities	
Payments for Capital Acquisitions	(3,410)
Net Cash Used for Capital and Related Activities	(3,410)
Net Decrease in Cash and Cash Equivalents	(1,150)
Cash and Cash Equivalents at Beginning of Year	4,962
Cash and Cash Equivalents at End of Year	\$ 3,812

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**Statement of Cash Flows
For Fiscal Year Ended June 30, 2012
(Continued)**

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

Operating Loss	\$ (651,613)
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**Adjustments to Reconcile Operating Loss to Net Cash
Used for Operating Activities**

Depreciation	57,520
Management Fee Forgiveness	131,111

Changes in Assets and Liabilities

Increase in Accounts Payable	47,611
Increase in Intergovernmental Payable	13,892
Increase in Payroll Liabilities	24,778
Decrease in Accrued Wages	<u>(12,493)</u>
Total Adjustments	<u>262,419</u>

Net Cash Used for Operating Activities	<u>\$ (389,194)</u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Noble Academy - Columbus, Inc. (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through twelve in Columbus. Due to limitations in space, the school currently only instructs grades K through eight. The School, which is part of the State's education program, is independent of any School and is nonsectarian 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 has been approved as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

The School was approved for operation under contract with the Buckeye Hope Foundation (the Sponsor) for a period of five years commencing March 15, 2006. In May 2010 the contract was extended for another five years until June 30, 2015.

The School operates under the direction of a self-appointed five-member Board of Trustees. The 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. In fiscal year 2012, the School employed 26 personnel for up to 212 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles 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 does not apply FASB statements issued after November 30, 1989. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows provides information about how the School finances meets the cash flow needs of its enterprise activities.

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

C. Budgetary Process

Unlike other public schools in the State of Ohio, community Schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705; rather community schools are required to create a Five Year Budget Forecast that is approved by the School Board and submitted to ODE and to the School's Sponsor. The contract between the School and its Sponsor does not prescribe any other budgetary process for the School.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School is pooled in a central bank account. Total cash amount at the end of the fiscal year is presented as "Cash" in the Statement of Net Assets. Any investment with an original maturity date less than 90 days is considered a cash equivalent and any investment with a maturity date greater than 90 days is considered an investment. The School did not have any investments during fiscal year 2012.

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintained a capitalization threshold of \$1,000 for inventory assets and \$10,000 for fixtures and improvements. The costs 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. Improvements are capitalized.

All capital assets are depreciated. Furniture, computers, office equipment, and vehicles are depreciated using straight-line method over the following estimated useful lives. Improvements to capital assets are depreciated using straight-line method over the remaining useful lives of the related capital assets. Leasehold improvements are depreciated using the straight-line method over the life of the lease.

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets and Depreciation (Continued)

	<u>Useful Life</u>
Improvements	3 to 10 years
Heavy Duty Office or Classroom Furniture	10 years
Computers and Other Electronic Equipment	3 to 5 years
Vehicles	3 to 10 years

F. Intergovernmental Revenues

In fiscal year 2012, the School participated in the State Foundation Program, State Poverty Based Assistance Program and Special Education Program. Revenues received from these and other State programs are recognized as operating revenues. Amounts awarded under these programs in fiscal year 2012 totaled \$1,304,265.

Grants from State and Federal Governments and donations are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the school must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis. Amounts awarded under these programs in fiscal year 2012 totaled \$405,714.

G. Operating Revenues and Expenses

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

H. Compensated Absences

The School's policy indicates that all full time employees are entitled to eight days of sick/personal days in a school year. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year. At the end of the year employees are awarded \$125 per each unused sick/personal day.

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At the end of fiscal year 2012, the School did not have any restricted net assets.

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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 those estimates.

3. DEPOSITS AND INVESTMENTS

At June 30, 2012, the book balance of the School's bank account at Chase Bank was \$3,812 and the bank balances was \$20,907. The bank balance was insured by FDIC up to \$250,000. The School had no investments at June 30, 2012 or during the fiscal year.

4. CAPITAL ASSETS

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

Capital Assets					
	Beginning July 1, 2011	Additions	Deletions	Ending June 30, 2012	
Equipment- Instructional	\$ 269,687	\$ 3,410	\$ -	\$ 273,097	
Equipment- Office	4,841	-	-	4,841	
School Vehicles	6,000	-	-	6,000	
Improvements	41,500	-	-	41,500	
Total Fixed Assets	322,028	3,410	-	325,438	
Less: Accumulated Depreciation	(135,060)	(57,520)	-	(192,580)	
Net Fixed Assets	\$ 186,968	\$ (54,110)	\$ -	\$ 132,858	

**NOBLE ACADEMY - COLUMBUS
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5. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by 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 DB Plan and the DC 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 payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of 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 - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salary. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School's required contributions to STRS Ohio were \$113,040 for the fiscal year ended June 30, 2012, \$97,163, for the fiscal year ended June 30, 2011, and \$89,055 for the fiscal year ended June 30, 2010. For fiscal year 2012, 89 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

**NOBLE ACADEMY - COLUMBUS
FRANKLIN COUNTY**

5. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

Plan Description – The School participates in the School Employees Retirement System (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 Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at 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 is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70 percent. The remaining 1.30 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were \$6,970, \$4,502, and \$3,813, respectively. For fiscal year 2012, 24 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2012, none of the members of the Board of Education have elected Social Security.

6. POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description – The School participates in 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. Ohio law authorizes STRS to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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6. POSTEMPLOYMENT BENEFITS (Continued)

A. State Teachers Retirement System (Continued)

Funding Policy – Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$8,074, \$6,940, and \$6,361 respectively. For fiscal year 2012, 89 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

B. School Employees Retirement System

Plan Description – The School participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administrated by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2012, 0.55 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2012, this amount was \$35,800. During fiscal year 2012, the School paid \$420 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status. The School's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$229, \$460, and \$125, respectively. For fiscal year 2012, 24 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010, were \$373, \$244, and \$207, respectively. For fiscal year 2012, 24 percent has been contributed. The full amount has been contributed for fiscal years 2011 and 2010.

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7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2012, the School contracted with Selective Insurance Company for property and general liability insurance with a \$1,000,000 single occurrence limit and \$3,000,000 annual aggregate with no deductible. The School did not make any claims in the fiscal year.

The School also pays the State Workers 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. The School paid 100% of its premiums for the fiscal year ended June 30, 2012.

8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

According to the School Policy, the School is required to provide Medical and Dental Insurance to all its full time employees. 60% of the monthly premiums for Medical and Dental coverage are to be paid by the School while the remaining 40% are to be deducted from employee's wages.

9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2012 were as follows:

Purchased Services	
Type	Amount
Instructional Services	65,745
Rent and Property Services	294,399
Management Fees	151,111
Contracted Food Services	62,432
Advertising and Communications	10,559
Extra-Curricular Activities	25,795
Other Professional Technical Services	56,523
Total	\$ 666,564

10. OPERATING LEASES

On July 1, 2009, the School entered into a five year lease agreement with B & A Realty for the three buildings at 1329 Bethel Road. For fiscal year 2012, the contracted monthly rent was \$16,571 with an annual increase of 2%. After the School's property tax exemption application was approved by Franklin County, the monthly rent was reduced to \$11,426 starting January 2012. In fiscal year 2012, the School paid a total of \$170,300. Required lease payments for the remaining years of the lease agreement will be as follows;

July 2012 – June 2013 \$140,960
July 2013 – June 2014 \$143,600

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11. CONTINGENCIES

A. Auditor of State Review

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.

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability for the School. This also encompasses the Auditor of State's ongoing review of student attendance data. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of Noble Academy - Columbus at June 30, 2012.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. According to the FTE review made for fiscal year 2012, the School was overpaid by \$14. This amount is reflected under intergovernmental payables in the Statement of Net Assets.

12. SPONSORSHIP AGREEMENT

On May 6, 2010, the School renewed its sponsorship agreement with Buckeye Hope Foundation for five years. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. According to the contract agreed by both parties, the School pays 3% of its foundation revenues to the Sponsor. In fiscal year 2012, the schools compensation to the Sponsor occurred as \$39,502.

13. MANAGEMENT COMPANY AGREEMENT

School contracted with Concepts Schools, Inc. on March 15, 2006 to serve as the School's Management Company. The contract is renewed automatically every year in one year terms unless the school or the management company decides otherwise. According to the contract, the school transfers 12% of the funds received from State. The total management fees incurred during the fiscal year was \$151,111. During the year the School paid only \$20,000 and the remaining fees were forgiven by Concept Schools.

14. MANAGEMENT'S PLAN

In fiscal year ended June 30, 2012, the School recorded a loss of \$114,788. In the 2012–2013 school year, the school increased its enrollment from 212 to 250. In order to respond to the community's demand and to achieve fiscal stability, the School's long term plan is to extend its grade span to incorporate K-12 and to move operations to a larger facility with bigger capacity.

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Members of the Board
Noble Academy - Columbus
Franklin County
1329 Bethel Road
Columbus, Ohio 43220

We have audited the financial statements of the business-type activities of Noble Academy - Columbus, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012, wherein we noted the School is experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

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

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

bhs

Circleville

Ironton

Piketon

Wheelersburg

Worthington

Noble Academy - Columbus
Franklin County
Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Required by *Government Auditing Standards*
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Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 management, the Board Members, the Community School's sponsor, and others within the School. We intend it for no one other than these specified parties.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
November 30, 2012



Dave Yost • Auditor of State

NOBLE 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.

A handwritten signature in cursive script that reads "Susan Babbitt".

CLERK OF THE BUREAU

CERTIFIED
MARCH 7, 2013