YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Auditor of State
Betty Montgomery

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Board of Trustees
YouthBuild Columbus Community School
Franklin County
1183 Essex Avenue
Columbus, Ohio 43215

We have audited the accompanying basic financial statements of the YouthBuild Columbus Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2004. 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 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 financial position of the YouthBuild Columbus Community School, Franklin County, Ohio, as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, the School restated beginning net assets to properly include intergovernmental revenues related to the fiscal year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2005, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Betty Montgomery

Betty Montgomery
Auditor of State

May 18, 2005

The discussion and analysis of Youthbuild Columbus Community School (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2004. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- Total net assets increased $124,490 in fiscal year 2004.
- Total revenue increased from $676,305 in fiscal year 2003 to $791,463 in fiscal year 2004.
- Similarly, total expenses increased from $561,274 in fiscal year 2003 to $666,973 in fiscal year 2004.
- Current liabilities decreased $150,626 with current assets also decreasing $7,170 in fiscal year 2004.
- The School has $691,255 in long term liabilities as of June 30, 2004.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* reflect how the School did financially during fiscal year 2004. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether the *financial position* of the School has improved or diminished. The causes of this change may be the 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 School uses enterprise presentation for all of its activities.

Table 1 provides a summary of the School's net assets as of June 30, 2004 compared to the prior year.

Table 1
Net Assets

	2004	2003
Assets:		
Cash and Other Current Assets	$162,695	$169,865
Capital Assets, Net	1,099,733	1,133,401
Total Assets	1,262,428	1,303,266
Liabilities:		
Current Liabilities	128,721	279,347
Long Term Liabilities	691,255	705,957
Total Liabilities	819,976	985,304
Net Assets:		
Invested in Capital Assets, Net	384,408	256,772
Unrestricted	58,044	61,190
Total Net Assets	$442,452	$317,962

Cash and other current assets decreased in 2004 due to an increase in operating expenses. Capital assets, net, decreased as a result of depreciation.

Liabilities decreased by $165,328 due to the elimination of the second mortgage note payable and the capital lease and the payments made on long-term notes payable.

Total Net Assets increased by $124,490. This increase can be attributed to the school paying off a capital lease and a second mortgage note payable.

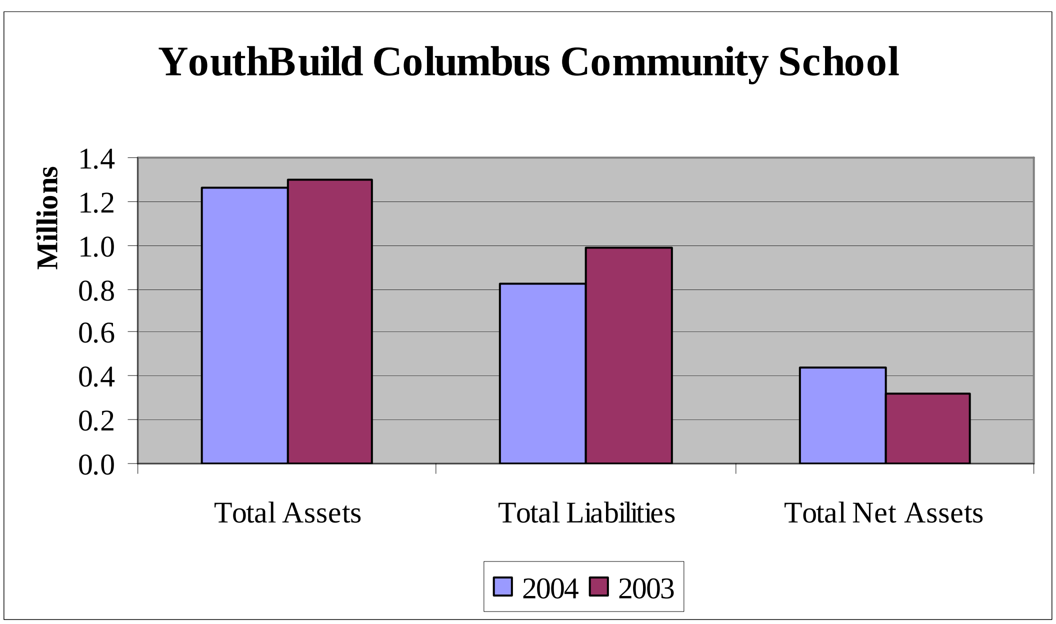

Table 2 shows changes in Net Assets for fiscal year 2004 compared with fiscal year 2003.

Table 2
Changes in Net Assets

	2004	2003
Operating Revenues		
Foundation	$625,594	$380,746
Other Operating Revenue	8,125	4,912
Non-Operating Revenues		
Grants	98,994	162,205
Other Non-Operating	58,750	128,442
Total Revenues	791,463	676,305
Operating Expenses		
Salaries	310,079	324,253
Fringe Benefits	108,770	90,078
Purchased Services	100,447	91,392
Materials and Supplies	19,799	17,709
Depreciation	33,668	31,106
Other Operating Expenses	48,818	6,736
Non-Operating Expenses		
Interest & Fees related to Debt	45,392	41,833
Total Expenses	666,973	561,274
Total Increase in Net Assets	$124,490	$115,031

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation payments made up 79% of revenues for the School in fiscal year 2004. Grant revenues decreased substantially due to the reduction of federal startup funding. Enrollment has remained static over the past 2 years but we were able to see some funding increases due to the increase in the per-pupil spending formula from ODE. In fiscal year 2003 the amount was $4,949 compared to $5,058 in fiscal year 2004. The School has also recorded a receivable for the shortage of FTE funding received from the state based on enrollment.

Budgeting Higlights

The School is not required to follow the budgetary provisions set forth in Ohio Revised Code Section 5705.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School has $1,099,733 in net capital assets. The majority of the capital assets is the school building.

Debt

At June 30, 2004, the School had $715,325 in outstanding debt. $150,000 is a long term note to the Columbus Compact foundation, $557,825 is the mortgage due to Bank One and the remaining $7,500 is a loan payable to the Buckeye Community Hope Foundation.

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditor's 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 Brian G. Adams, CFO, YouthBuild Columbus Community School, 1183 Essex Ave. Columbus, OH 43215.

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004

Assets	
Current Assets	
Cash	$3,767
Intergovernmental Receivable	143,770
Prepaids	15,158
Total Current Assets	162,695
Non-Current Assets	
Capital Assets (Net of Accumulated Depreciation)	1,099,733
Total Non-Current Assets	1,099,733
Total Assets	1,262,428
Liabilities	
Current Liabilities	
Accounts Payable	9,280
Intergovernmental Payable	28,338
Accrued Wages	33,512
Notes Payable, current portion	26,080
Accrued Interest Payable	1,511
Deferred Revenue	30,000
Total Current Liabilities	128,721
Long Term Liabilities	
Notes Payable, net of current portion	681,745
Loans Payable	7,500
Compensated Absences Payable	2,010
Total Long Term Liabilities	691,255
Total Liabilities	819,976
Net Assets	
Invested in Capital Assets, Net of Related Debt	384,408
Unrestricted	58,044
Total Net Assets	442,452

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

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

Operating Revenues	
Foundation Payments	$ 625,594
Other	8,125
Total Operating Revenues	633,719
Operating Expenses	
Salaries	310,079
Fringe Benefits	108,770
Purchased Services	100,447
Materials & Supplies	19,799
Depreciation	33,668
Other	48,818
Total Operating Expenses	621,581
Operating Income	12,138
Non-Operating Revenues (Expenses)	
Donations	22,750
State Grants	5,925
Federal Grants	93,069
Rent	36,000
Interest on Capitalized Leases	(1,648)
Interest on Notes Payable	(43,744)
Total Non-Operating Revenues (Expenses)	112,352
Change in Net Assets	124,490
Net Assets Beginning of Year (as restated - see Note 4)	317,962
Net Assets End of Year	$442,452

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

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2004

Increase (decrease) In Cash:	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 468,603
Cash Received from Other Sources	8,125
Cash Payments to Employees for Services and Benefits	(332,665)
Cash Payments for Employee Benefits	(57,047)
Cash Payments for Purchased Services	(116,901)
Cash Payments for other operating expenses	(60,757)
Net Cash used for Operating Activities	(90,642)
Cash Flows from Noncapital Financing Activities	
Donations Received	22,750
Grants Received	193,546
Rent Received	66,000
Net cash provided by noncapital financing activities	282,296
Cash Flows from Capital and Related Financing Activities	
Interest paid on capital leases	(1,648)
Principal payments on capital leases	(25,022)
Interest paid on notes payable	(47,300)
Principal payments on notes payable	(143,782)
Net Cash used for capital and related financing activities	(217,752)
Net Decrease in Cash	(26,098)
Cash at Beginning of Year	29,865
Cash at End of Year	$3,767
Reconciliation of Operating Income to Net Cash Used for Operating Activities	
Operating Income	$12,138
Adjustments to reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	33,668
Changes in Assets and Liabilities	
Increase in Intergovernmental Receivables	(98,322)
Increase in Prepaids	(15,158)
Decrease in Accounts Payable	(8,168)
Decrease in Intergovernmental Payable	(14,847)
Decrease in Accrued Wages Payable	(11)
Increase in Compensated Absences Payable	58
Total Adjustments	(102,780)
Net Cash Provided by Operating Activities	($90,642)

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

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1. DESCRIPTION OF THE ENTITY

YouthBuild Columbus Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objectives are to carry out the academic training component of the YouthBuild Columbus program, to advance underserved youth through education, job training, personal development, leadership development, and community service. The YouthBuild Columbus program helps dropouts from traditional high schools in a year round program that enables students to gain employable skills by building and rehabilitating houses in Columbus' Empowerment Zone that are sold to low-income families. The School, which is part of the State's education program, is independent of any school district 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 was approved for operation on June 14, 2001, under a contract by and between the Ohio Department of Education (ODE), as Sponsor, and the Governing Authority of YouthBuild Columbus Community School. The School commenced official operation on July 1, 2001.

The five member 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. The Board controls the School's principal, one full time non-certified staff, and five certified full time teaching personnel who provide services to approximately 60-80 students during the school year.

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 a governmental nonprofit organization. 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 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 or Interpretations 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 maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources 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 reflects how the School finances and meets its cash flow needs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue 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 the revenue recognition criteria have been satisfied. Expenses are recognized at the time 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 Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and the Sponsor does not prescribe an annual budget requirement, but sets forth a requirement to submit a spending plan each fiscal year.

D Cash

All cash received by the School is deposited in accounts in the School's name. The School did not have any investments during fiscal year 2004.

E. Capital Assets and Depreciation

Capital assets and improvements 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 value as of the date received. The School maintains a capitalization threshold of seven hundred fifty dollars for computers and one thousand dollars for all other assets. The School does not possess any infrastructure.

The School does not capitalize interest. 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, however, are capitalized.

Building, vehicles, furniture and equipment are depreciated using the straight-line method over the assets' estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related capital assets.

The following is the estimated useful lives for property, vehicles, furniture and equipment:

Asset	Useful Life
Building	45 years
Vehicles	2 years
Furniture and Equipment	1 - 10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program and State Disadvantaged Pupil Impact Aid Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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 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.

The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenue.

Amounts awarded under the above programs for the 2004 school year totaled $724,588.

G. Compensated Absences

Leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered. Unused personal leave is paid out at 100% of the employee's current pay rate at the end of the school year. Sick leave must be used during the school year, is non-accumulative, and is not paid out at the end of the school year. Permanent, year-round employees are entitled to annual vacation leave which is granted on June 1 of each subsequent year of employment and is based on the employee's service years. Upon separation from employment, employees are entitled to compensation at their current rate of pay for all unused vacation leave, prorated to reflect the pay periods worked.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

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. The School had no restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. 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.

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used. The School has prepaid items totaling $15,158.

3. CHANGE IN ACCOUNTING PRINCIPLE

The School has implemented GASB Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments." For the School, GASB 34 changes financial statement classifications (i.e. retained earnings are now referred to as net assets, fixed assets are now referred to as capital assets, etc.) and the inclusion of Management's Discussion and Analysis as required supplementary information.

4. RESTATEMENT

The Balance Sheet as of June 30, 2003, should have presented an additional $140,000 in intergovernmental receivables. Retained earnings/net assets as of June 30, 2003, and net income for the fiscal year ended June 30, 2003, have been restated as follows:

Effect of restatement on Net Assets reported as of June 30, 2003:	
Retained Earnings as of June 30, 2003 (as reported)	$177,962
Additional revenues related to intergovernmental receivable	140,000
Net Assets as of June 30, 2003 (restated)	$317,962
Effect of restatement on Net Income reported for the fiscal year ended June 30, 2003:	
Net Income for the fiscal year ended June 30, 2003 (as reported)	$(66,172)
Additional revenues related to intergovernmental receivable	140,000
Net Income for the fiscal year ended June 30, 2003 (restated)	$73,828

5. CASH

At June 30, 2003, the carrying amount of the School's deposits was $3,767 and the bank balance was $7,829. The total bank balance was insured by the Federal Deposit Insurance Corporation (FDIC) up to $100,000. The School had no investments at June 30, 2004 or during the fiscal year.

6. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2004, follows:

	Balance at 7/1/2003	Additions	Deletions	Balance at 6/30/2004
Building	$1,125,450	$0	$0	$1,125,450
Vehicles	1,500	0	0	1,500
Furniture and Equipment	37,557	0	0	37,557
Total Capital Assets	1,164,507	0	0	1,164,507
Less: Accumulated Depreciation	(31,106)	(33,668)	0	(64,774)
Net Capital Assets	$1,133,401	$(33,668)	$0	$1,099,733

7. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For fiscal year 2004, the School contracted with Accordia of Illinois Insurance Company for property and general liability insurance. The property insurance limits are $1,000 deductible and $385,000 aggregate. The general liability insurance limits are $1,000,000 each occurrence and $2,000,000 aggregate. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last three years.

B. Worker's Compensation

The School 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. The School had paid all premiums as of June 30, 2004.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

8. DEFINED BENEFIT PENSION PLANS (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for the fiscal year 2004, 9.09% of annual covered salary was the portion to fund pension obligations. For fiscal year 2003, 8.17% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004 and 2003 were $4,738 and $7,845, respectively; 100% has been contributed for both fiscal years. The School had a prepaid balance to SERS in the amount of $15,158 at June 30, 2004, all of which was for pension obligations.

B. State Teachers Retirement System

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090 or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System (Continued)

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, 13% was also used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations for the fiscal years ended June 30, 2004 and 2003 were $37,241 and $27,537 respectively; 79 percent has been contributed for fiscal year 2004 and 98 percent has been contributed for fiscal year 2003. As of June 30, 2004, the School's cumulative liability to STRS Ohio was $8,234.

9. POST-EMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund.

STRS Ohio pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was $3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were $268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll.

9. POST-EMPLOYMENT BENEFITS (Continued)

In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at $25,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled $3,175. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care at June 30, 2004 were $223,443,805 and the target level was $335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 participants receiving health care benefits.

10. MEDICAL AND DENTAL EMPLOYEE BENEFITS

The Buckeye Community Hope Foundation (BCHF) has contracted with Medical Mutual of Ohio for a group medical policy including full-time employees of the School. The School reimburses BCHF for the premiums paid. Dental insurance is provided by American General. All full-time employees are eligible to select coverage under this plan, once they have been employed by the School for thirty days. Currently, the School pays 100% of each employee's individual and/or family premium.

Premiums are determined by Medical Mutual of Ohio.

11. PURCHASED SERVICES

For the period July 1, 2003 through June 30, 2004, purchased service expenses were for the following services:

Type	Amount
Professional Services	$ 62,720
Equipment and Supplies	11,651
Advertising	4,915
Utilities	17,460
Communications	3,701
Total	$ 100,447

12. TAX EXEMPT STATUS

The School completed its application and filed for tax exempt status under 501(c) 3 of the Internal Revenue Code and was approved for tax exempt status on May 21, 2002. 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.

13. NOTES PAYABLE

The School entered into an open end mortgage note agreement on January 8, 2003 in the amount of $121,210 to cover additional renovation costs to the building. The mortgage had an interest rate of 1.6% over the prime interest rate and had no required repayment schedule. The prime rate for the duration of the mortgage was 4%. The School paid the mortgage note in full on November 12, 2003.

14. LONG-TERM LIABILITIES

A summary of long-term obligations for the year ended June 30, 2004, is as follows:

	Balance at 7/1/2003	Additions	Deletions	Balance at 6/30/2004	Amount Due in tOne Year
Long-Term Notes Payable	$732,037	$0	$24,212	$707,825	$26,080
Compensated Absences	1,952	2,010	1,952	2,010	0
Loans Payable	7,500	0	0	7,500	0
Total Long-Term Liabilities	$741,489	$2,010	$26,164	$717,335	$26,080

Columbus Compact Corporation – The School entered into a promissory note with Columbus Compact Corporation on April 30, 2002 for the purpose of acquiring land and a building to be used for the school. The repayment of the principal on this note is deferred for five years. The note has a 4% interest rate and interest accrues during the deferment period. Interest payments are to be made in semi-annual payments during the term of deferment which began on December 31, 2002. At the end of the five year deferment period, the loan will be amortized over 15 years, with a balloon payment due in the final year of the loan.

Bank One Mortgage - The School entered into a temporary draw note with Bank One on April 30, 2002 for the purpose of acquiring land and a building to be used for the school. This temporary draw note became part of a permanent mortgage note in the amount of $584,375 on May 13, 2003. The permanent mortgage note was used for renovations to the building to be used for the school. The School began paying monthly installments of principal and interest on May 16, 2003. This is a simple interest loan with the final payment due on April 3, 2010.

Amortization of the Columbus Compact Corporation and Bank One Mortgage is as follows:

Fiscal year Ending June 30:	**Principal**	**Interest**	**Total**
2005	$26,080	$41,373	$67,453
2006	27,823	39,627	67,450
2007	31,405	37,263	68,668
2008	39,167	35,597	74,764
2009	41,595	33,169	74,764
2010-2014	339,106	123,088	462,194
2015-2018	202,649	25,544	228,193
Total	$ 707,825	$ 335,661	$ 1,043,486

15. RELATED ORGANIZATIONS/RELATED PARTY TRANSACTIONS

The School is a related organization to Buckeye Community Hope Foundation (BCHF) and YouthBuild Columbus, a non-profit organization affiliated with YouthBuild USA. A description of the School's relationship with these entities follows.

15. RELATED ORGANIZATIONS/RELATED PARTY TRANSACTIONS (Continued)

A. Buckeye Community Hope Foundation

BCHF appoints all five members of the Board of Trustees of the School. Three of the Board members are also employed by BCHF. BCHF does not impose its will on the School Board. The School's accountability to BCHF ceases with BCHF's appointments to the School Board. The School Board sets its own budget, hires/terminates personnel, and authorizes all expenditures.

Related party transactions with BCHF were as follows:

Description of Transaction		Amount
Amounts received from BCHF:		
Donations	$	22,750
Rent (paid on behalf of YouthBuild Columbus)	$	66,000
Disbursements to BCHF:		
For medical, dental, disability benefits (note 8)	$	48,937
Loan payable to BCHF*:		
For operating capital loans received in prior years	$	7,500

*There is no written contract agreement or terms of this loan.

B. YouthBuild Columbus

YouthBuild Columbus supports policies and programs which enable young people to assume leadership in order to rebuild their communities. The Vice President of the School's Board of Trustees is also the Executive Director of YouthBuild Columbus. The School's Principal is also the President of the Board of YouthBuild Columbus. The School began leasing space in the school building at 1183 Essex Avenue to YouthBuild Columbus in March 2003 (See Note 16).

16. RENT REVENUE

The School entered into a lease agreement for the use of space in the Essex Avenue School Building with YouthBuild Columbus. The premise will be used as offices by the lessee. The lease commenced March 1, 2003 and the term of the lease is indefinite. YouthBuild Columbus is a subsidiary of Buckeye Community Hope Foundation. During 2004, rent payments for this space were paid to the School by BCHF on behalf of YouthBuild Columbus. The School received $66,000 during fiscal year 2004, which included a $30,000 prepayment of fiscal year 2005 rent which is recorded as deferred revenue.

17. CAPITAL LEASE - LESSEE DISCLOSURE

The School entered into a capitalized lease agreement for equipment during fiscal year 2003. The lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital assets of $30,026 have been recorded, which represents the present value of the minimum lease payments at time of acquisition. The accumulated depreciation for the capital lease fixed asset was $11,677 at June 30, 2004. Principal payments for fiscal year 2004 totaled $25,022. The lease was paid in full at June 30, 2004

18. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2004.

B. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "…the Ohio General Assembly to enact a school funding scheme that is thorough and efficient…". The School is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

C. Full Time Equivalency

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 School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for fiscal year 2004 resulted in the discovery of an under payment to the School in the amount of $74,764. This amount is recorded as an intergovernmental receivable at June 30, 2004.

D. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. On April 21, 2003 the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard for oral argument on November 18th, 2003. On August 24, 2004, the Court of Appeals rendered a decision that community schools are part of the State Public Educational System and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the School is not presently determinable.

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

Board of Trustees
YouthBuild Columbus Community School
Franklin County
1183 Essex Ave
Columbus, Ohio 43215

We have audited the basic financial statements of YouthBuild Columbus Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2004, and have issued our report thereon dated May 18, 2005, wherein we noted the School restated beginning net assets. 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School's management dated May 18, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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*. In a separate letter to the School's management dated May 18, 2005, we reported an other matter related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

May 18, 2005

YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2003-001	Section 2.5 of School's Financial Plan – Details procedures to be followed when purchasing and disposing of capital assets.	Yes	
2003-002	Section 2.2 of School's Financial Plan – Requires the School to prepare and submit an annual spending plan.	No	Partially Corrected – Communicated in a separate letter to School's management
2003-003	The School should ensure all bank accounts are reconciled to the accounting records on a monthly basis.	Yes	
2003-004	The Board of Trustees should meet on a regular basis to monitor the financial and academic activities of the School.	Yes	
2003-005	The Fiscal Officer should submit financial reports and any significant financial information to the Board each month.	Yes	

Auditor of State
Betty Montgomery

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YOUTHBUILD COLUMBUS COMMUNITY SCHOOL

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
JUNE 21, 2005