



**OLD BROOKLYN MONTESSORI SCHOOL
CUYAHOGA COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OLD BROOKLYN MONTESSORI SCHOOL
CUYAHOGA COUNTY**

TABLE OF CONTENTS

Report of Independent Accountants	1
Balance Sheet as of June 30, 2000	3
Statement of Revenues, Expenses and Changes In Retained Earnings for the Fiscal Year Ended June 30, 2000	4
Statement of Cash Flows for the Year Ended June 30, 2000	5
Notes to the Financial Statements	7
Report on Compliance and Internal Control Required by Government	19

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS REPORT

Members of the Board of Trustees
Old Brooklyn Montessori School
Cuyahoga County
4216 Pearl Road
Cleveland, Ohio 44109

We have audited the accompanying financial statements of the Old Brooklyn Montessori School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2000, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Old Brooklyn Montessori School, Cuyahoga County, Ohio, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2000 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 22, 2000

OLD BROOKLYN MONTESSORI SCHOOL
CUYAHOGA COUNTY
Balance Sheet
As of June 30, 2000

Assets:

Current Assets:

Cash	\$176,782
Prepaid Expenses	<u>\$1,750</u>
<i>Total Current Assets</i>	<u><u>\$178,532</u></u>

Non-Current Assets:

Fixed Assets (Net of Accumulated Depreciation)	<u>\$126,075</u>
<i>Total Non-Current Assets</i>	<u>\$126,075</u>
<i>Total Assets</i>	<u><u>\$304,607</u></u>

Liabilities and Equity:

Current Liabilities:

Accounts Payable	\$3,512
Accrued Wages and Benefits	\$29,020
Deferred Revenue	<u>\$11,080</u>
<i>Total Current Liabilities</i>	<u>\$43,612</u>

Equity:

Retained Earnings	<u>\$260,995</u>
<i>Total Equity</i>	<u>\$260,995</u>
<i>Total Liabilities and Equity</i>	<u><u>\$304,607</u></u>

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

**OLD BROOKLYN MONTESSORI SCHOOL
CUYAHOGA COUNTY
Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Fiscal Year Ended June 30, 2000**

Operating Revenues:

Foundation Payments	\$472,541
Other State Funding	\$4,787
Other Operating Revenues	<u>\$22,495</u>
<i>Total Operating Revenues</i>	<u>\$499,823</u>

Operating Expenses:

Salaries	\$298,395
Fringe Benefits	\$63,387
Purchased Services	\$40,107
Materials and Supplies	\$28,690
Depreciation	\$30,223
Other Operating Expenses	<u>\$38,547</u>
<i>Total Operating Expenses</i>	<u>\$499,349</u>
Operating Income (Loss)	<u>\$474</u>

Non-Operating Revenues:

Federal Grants	\$57,495
Private Grants and Contributions	<u>\$52,154</u>
<i>Total Non-Operating Revenues</i>	<u>\$109,649</u>
Net Income (Loss)	<u>\$110,123</u>
Retained Earnings (Deficit) at Beginning of Year	<u>\$150,872</u>
Retained Earnings (Deficit) at End of Year	<u><u>\$260,995</u></u>

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

**OLD BROOKLYN MONTESSORI SCHOOL
 CUYAHOGA COUNTY
 Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$477,328
Cash Payments to Suppliers for Goods and Services	(\$107,944)
Cash Payments to Employees for Services	(\$330,554)
Other Operating Revenues	<u>\$28,065</u>
Net Cash Provided/(Used) for Operating Activities	<u>\$66,895</u>

Cash Flows from Noncapital Financing Activities:

Federal Grants	\$57,495
Private Grants and Contributions	\$52,154
Payments for Operating Loans	<u>(\$25,000)</u>
Net Cash Provided by Noncapital Financing Activities	<u>\$84,649</u>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	<u>(\$82,998)</u>
Net Cash Used for Capital and Related Financial Activities	<u>(\$82,998)</u>

Net Increase (Decrease) in Cash and Cash Equivalents	\$68,546
Cash and Cash Equivalents at Beginning of Year	<u>\$108,236</u>
Cash and Cash Equivalents at End of Year	<u><u>\$176,782</u></u>

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

OLD BROOKLYN MONTESSORI SCHOOL
CUYAHOGA COUNTY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2000
(Continued)

Reconciliation of Operating Income (Loss) to Net
Cash Used for Operating Activities:

Operating Income (Loss)	\$474
-------------------------	-------

Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities:

Depreciation	\$30,223
--------------	----------

Changes in Assets and Liabilities:

(Increase)/Decrease in Accounts Receivable	\$1,557
(Increase)/Decrease in Prepaid Expenses	\$854
Increase/(Decrease) in Accounts Payable	\$29,902
Increase/(Decrease) in Interest Payable	(\$1,685)
Increase/(Decrease) in Deferred Revenue	\$5,570

Total Adjustments	\$66,421
-------------------	----------

Net Cash Provided/Used for Operating Activities	\$66,895
---	----------

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

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

I. Description of the School and Reporting Entity

Old Brooklyn Montessori School (“OBMS”) is a nonprofit corporation established February 3, 1997 pursuant to Ohio Revised Code Chapters 1702 and 3314 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under § 501(c)(3) of the Internal Revenue Code. **OBMS**, which is part of Ohio’s education program, is independent of any school district. **OBMS** may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of **OBMS**.

A proposal was initially forwarded to the Ohio Department of Education by **OBMS** on April 9, 1998 to open a community school in the fall of 1998. The Ohio Department of Education approved the proposal and entered into a contract with **OBMS** which provided for the commencement of operations at the beginning of the 1998-99 school year. **OBMS** is an approved tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect **OBMS'** tax-exempt status.

OBMS operates under a seven-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 qualification of teachers. The Board of Trustees controls **OBMS'** one instructional facility staffed by two uncertified and six certificated full time teaching personnel who provide services to 87 students.

II. Summary of Significant Accounting Policies

The financial statements of **OBMS** have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. **OBMS** 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 more significant of **OBMS'** accounting policies are described below.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Summary of Significant Accounting Policies (Continued)

1. Basis of Presentation

Enterprise Accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Equity (*i.e.*, net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (*e.g.*, revenues) and decreases (*e.g.*, expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Summary of Significant Accounting Policies (Continued)

3. Cash and Cash Equivalents

All monies received by **OBMS** are deposited in the name of **OBMS** at Firststar bank. For presentation on the balance sheet and statement of cash flows, investments with an original maturity of three months or less are considered cash equivalents.

4. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which services are consumed. As of June 30, 2000, **OBMS** had prepaid items totaling \$1,750.

5. Fixed Assets and Depreciation

Fixed assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. **OBMS** does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over their estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets. All items with a useful life of one year or greater were capitalized, regardless of amount.

Fixed Asset Classification	Years
Leasehold Improvements	4
Furniture and Equipment	10
Computers and Office Equipment	3

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Summary of Significant Accounting Policies (Continued)

6. Intergovernmental Revenues

OBMS currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid Program (“DPIA”), and the State Special Education Program. These programs are recognized as operating revenues in the accounting period in which they are earned and become measurable.

The school also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, OBMS was awarded \$150,000 to offset start-up costs, of which \$100,000 was received to date in fiscal years 1999 and 2000. Revenue received from this program is recognized as non-operating revenue on the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

7. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Employees are allowed vacation when school is not in session. Teachers and administrators who are not on a twelve (12) month contract do not earn vacation time. Sick leave may not be accumulated past the fiscal year in which it is earned.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

III. Budgeting

OBMS submits budgets to the Ohio Department of Education, the sponsor, as required during the application process for approval as a Community School. During fiscal year 2000, the budget was formally revised by the Board of Trustees. Consequently, revenues and expenditures did not materially depart from the budgeted amounts. **OBMS** also prepares budgets for electronic reporting through the Ohio Department of Education's Educational Management Information System.

IV. Deposits and Investments

At fiscal year end June 30, 2000, the carrying amount of **OBMS'** deposits was \$176,782 and the bank balance was \$197,128. Of the bank balance \$182,241 was covered by federal depository insurance and \$14,887 was uninsured and uncollateralized

V. Fixed Assets

A summary of **OBMS'** fixed assets at June 30, 2000, follows:

➤ Furniture and Equipment	\$ 86,438
➤ Leasehold Improvements	<u>\$ 83,732</u>
➤ Total Fixed Assets	<u>\$170,170</u>
➤ Less Accumulated Depreciation	<u>(\$ 44,095)</u>
NET FIXED ASSETS	<u>\$126,075</u>

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

VI. Risk Management

1. Property and Liability

OBMS 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 2000, **OBMS** contracted with Cincinnati Insurance Company for all of its' insurance.

General liability is covered at \$1,000,000 single occurrence limit and \$5,000,000 aggregated. Hired and Non-Owned Vehicles are covered at \$1,000,000 combined single limit of liability. Other coverage includes Directors and Officers, Employee Crime, Sexual Abuse and Misconduct, Electronic Data Processing and Business Interruption.

2. Workers' Compensation

OBMS is self-insured and is not required to make premium payments to the Ohio Worker's Compensation System (WC) for employee injury coverage. **OBMS** will be invoiced by WC for any benefits paid to the employees of **OBMS** as a result of injury claims processed by WC. As of June 30, 2000 there have been no claims filed by employees with WC.

3. Employee Medical, Dental, and Vision Benefits

OBMS provides medical insurance benefits to all full time employees. Up to \$3,500 in premiums are paid by **OBMS** for each employee that elects to have coverage. Those employees whose coverage exceeds the \$3,500 limit reimburse **OBMS** through payroll deduction. During the current fiscal year the cost to **OBMS** for medical insurance benefits was \$14,340.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

VIII. Defined Benefit Pension Plans

1. School Employees Retirement System

OBMS contributes to the School Employees Retirement System of Ohio (“SERS”), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 N. 4th St., Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and **OBMS** is required to contribute 14%. For fiscal year 2000, 5.5% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS’s Retirement Board within the rates allowed by State statute.

The adequacy of the contribution rates is determined annually. **OBMS’** contribution to SERS for the Fiscal Year Ended June 30, 2000, was \$1,754. For Fiscal Year 2000 employee and **OBMS** contributions totaling \$80 were payable at year-end. All other contributions were paid during Fiscal Year 2000.

2. State Teachers Retirement System

OBMS contributes to the State Teachers Retirement System of Ohio (“STRS”), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Defined Benefit Pension Plans (Continued)

Plan members are required to contribute 9.3 % of their annual covered salary and **OBMS** is required to contribute 14%. The portion used to fund pension obligations was 6% Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and fourteen percent 14% for employers. **OBMS'** contribution to STRS for the Fiscal Year Ended June 30, 2000, was \$15,934. For Fiscal Year 2000 employee and **OBMS** contributions totaling \$2,054 were payable at year-end. All other contributions were paid during Fiscal Year 2000.

3. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, **OBMS** has no employees or members of the governing board, which contribute to Social Security.

IX. Post-Employment Benefits

OBMS provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. As of June 30, 2000, the board allocates employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For OBMS, this amount equaled \$21,321 during fiscal 2000.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

Post-Employment Benefits (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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 the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For this fiscal year, employer contributions used to fund health care benefits were 8.5% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For OBMS, the amount to fund health care benefits, including surcharge, equaled \$3,072.

X. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one (1) year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program" which provides significant amounts of monetary support to **OBMS**. During the Fiscal Year Ended June 30, 2000, the School District received \$472,541 of school foundation support.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

State School Funding Decision (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of November 22, 2000, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of November 22, 2000, **OBMS** is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

XI. Contingencies

1. Grants

OBMS 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of **OBMS** at June 30, 2000.

2. Litigation

OBMS is not a party to any legal proceedings at this time.

OLD BROOKLYN MONTESSORI SCHOOL
— A Community School —

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

XII. Loan Repayment

At June 30, 1999 the OBMS had a loan payable of \$25,000 due to Montessori Development Partnership Corporation (MDPC). During fiscal year 2000, OBMS paid the loan off in full, therefore no liability exists at fiscal year end.

XIII. Start-Up Funding

OBMS was awarded a total of \$150,000 in Federal grants payable over three years and restricted for start up funding, of which \$50,000 was received in each of fiscal years 1999 and 2000 (See note II item 6). These monies, along with other grants received from both private and public sources, were used for the purchase of classroom materials and furniture and for leasehold improvements of classroom and office spaces. These were recorded as non-operating revenue in the accompanying financial statements. All funds were used during the year and there is no remaining balance at year-end.

XIV. Leases

The OBMS leases its facilities from the St. Luke United Church of Christ. This is a five year lease which ends June 30, 2003. This lease required a monthly payment of \$1,250 plus \$500 monthly for the school portion of natural gas to heat the building. On an agreed upon basis the school Treasurer and a representative of the church review the actual gas billings and make the necessary adjustments. For the year ended June 30, 2000, the school paid \$21,000 in scheduled payments and has paid \$1,750 rent in advance.

XV. Purchased Services

Purchased Services include the following:

Professional services	\$33,551
Insurance	2,566
Class Activities	<u>3,990</u>
Total	<u>\$40,107</u>

This page intentionally left blank.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

Lausche Bldg
615 W Superior Ave
Floor 12
Cleveland OH 44113 - 1801
Telephone 216-787-3665
800-626-2297
Facsimile 216-787-3361
www.auditor.state.oh.us

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Members of the Board of Trustees
Old Brooklyn Montessori School
Cuyahoga County
4216 Pearl Road
Cleveland, Ohio 44109

We have audited the financial statements of the Old Brooklyn Montessori School, Cuyahoga County, Ohio, (the School) as of and for the year ended June 30, 2000, and have issued our report thereon dated November 22, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However we noted other matters involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to the management of the School in a separate letter dated November 22, 2000

Old Brooklyn Montessori School
Cuyahoga County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page -2-

This report is intended for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 22, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

OLD BROOKLYN MONTESSORI SCHOOL

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 16, 2001**