

CRITTENTON COMMUNITY SCHOOL  
Columbus, Ohio

Financial Statements  
and  
Supplementary Financial Information  
For the years ended June 30, 2008 and 2007  
and Independent Auditors' Report Thereon





# Mary Taylor, CPA

Auditor of State

Board of Governors  
Crittenton Community School  
1418 East Broad Street  
Columbus, Ohio 43205

We have reviewed the *Independent Auditors' Report* of the Crittenton Community School, Franklin County, prepared by Schneider Downs & Co., Inc., for the audit period July 1, 2007 through June 30, 2008. 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 Crittenton Community School is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

December 29, 2008

**This Page is Intentionally Left Blank.**

## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
FINANCIAL STATEMENTS:	
Statements of Net Assets as of June 30, 2008 and 2007	6
Statements for the years ended June 30, 2008 and 2007:	
Revenues, Expenses and Changes in Net Assets	7
Cash Flows	8
Notes to Financial Statements	9
SUPPLEMENTARY FINANCIAL INFORMATION:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	19



INSIGHT ■ INNOVATION ■ EXPERIENCE

INDEPENDENT AUDITORS' REPORT

Board of Governors  
Crittenton Community School  
Franklin County  
1418 East Broad Street  
Columbus, Ohio 43205

We have audited the accompanying statements of net assets of the Crittenton Community School (the School) as of June 30, 2008 and 2007 and the related statements of revenues, expenses and changes in net assets and statements of cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide 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 School, as of June 30, 2008 and 2007, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audits.

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

SCHNEIDER DOWNS & CO., INC.

Columbus, Ohio  
December 4, 2008

Schneider Downs & Co., Inc.  
www.schneiderdowns.com



1133 Penn Avenue  
Pittsburgh, PA 15222-4205  
TEL 412.261.3644  
FAX 412.261.4876

41 S. High Street  
Suite 2100  
Columbus, OH 43215-6102  
TEL 614.621.4060  
FAX 614.621.4062

CRITTENTON COMMUNITY SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

The discussion and analysis of the Crittenton Community School's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

**Using This Financial Report**

This report consists of three parts: the MD&A, the basic financial statements and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

**Financial Highlights**

- Total assets were \$150,462. Capital assets, net, amounted to \$87,320, while cash and cash equivalents amounted to \$35,008.
- Liabilities totaled \$88,414. Accrued wages and benefits amounted to \$39,746, accounts payable and other liabilities amounted to \$46,609, and the amount due to Ohio Department of Education amounted to \$2,059.
- Operating revenues and expenses totaled \$745,720 and \$780,643, respectively. Non-operating revenues and expenses amounted to \$163,163.

**Statement of Net Assets**

The statement of net assets answers the question, "How did we do financially during 2008?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

CRITTENTON COMMUNITY SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

Table 1 provides a summary of the School's net assets for fiscal years 2008 and 2007:

(Table 1)  
**Net Assets**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current assets	\$ 63,142	\$ 87,620
Capital assets, net	<u>87,320</u>	<u>95,146</u>
Total assets	<u>150,462</u>	<u>182,766</u>
<b>Liabilities</b>		
Current liabilities	<u>88,414</u>	<u>85,795</u>
<b>Net Assets</b>	<u>62,048</u>	<u>96,971</u>
Total Liability and Net Assets	\$ <u>150,462</u>	\$ <u>182,766</u>

Assets totaled \$150,462. Equity in pooled cash and cash equivalents amounted to \$35,008. Receivables amounted to \$28,134. Capital assets, before depreciation, totaled \$104,828. The total assets decreased \$32,304 which represents approximately an 18% decrease from 2007. The decrease is due to current year depreciation of the capital assets and a lower cash balance resulting from the current year loss. The total liabilities remained fairly consistent from the prior year.



CRITTENTON COMMUNITY SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

Table 2 shows the changes in net assets for the years ended June 30, 2008 and 2007, as well as a listing of revenues and expenses.

(Table 2)  
Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Foundation payments	\$ 564,236	\$ 635,614
Columbus public school payments	151,266	100,197
Disadvantaged pupil impact aid	8,032	14,705
Donations	22,161	11,800
Other	25	32,179
Total Operating Revenues	<u>745,720</u>	<u>794,495</u>
Operating Expenses:		
Salaries	484,934	569,304
Fringe benefits	127,016	125,649
Purchased services	127,853	105,217
Materials and supplies	24,512	18,194
Depreciation	7,826	3,033
Other expenses	8,502	35,885
Total Operating expenses	<u>780,643</u>	<u>857,282</u>
Non-Operating Revenues and (Expenses):		
Operating grants and contributions	163,163	1,130
Non-Operating Expenses	<u>(163,163)</u>	<u>-</u>
Total Non-Operating Revenues	<u>-</u>	<u>1,130</u>
Change in Net Assets	<u>(34,923)</u>	<u>(61,657)</u>
Net Assets Beginning of Year	<u>96,971</u>	<u>158,628</u>
Net Assets End of Year	<u>\$ 62,048</u>	<u>\$ 96,971</u>

Net assets decreased \$34,923 which represents a 36% decrease from 2007. The decrease in net assets is primarily due to decreased foundation payments because of lower student enrollment in 2008.

Community Schools receive no support from taxes.

CRITTENTON COMMUNITY SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007

Table 3 details the capital assets of the School as of June 30, 2008 and 2007.

(Table 3)  
**Capital Assets**

	<u>2008</u>	<u>2007</u>
Furniture and equipment, net	\$ 13,632	\$ 17,580
Leasehold improvements, net	<u>73,688</u>	<u>77,566</u>
	\$ <u>87,320</u>	\$ <u>95,146</u>

**Current Financial Issues**

The School began operations on July 1, 2002 and is currently located at 1418 East Broad Street, Columbus, Ohio 43205. The idea for this innovative school was formed through the board members of Directions For Youth & Families, an associated not-for-profit organization. The School was formed as a 501(c)(3) corporation with a governing board of nine members who are elected. The School enrolls "high-risk," underachieving middle school students, grades 6 through 9, who are at risk of dropping out of school due to behavioral/emotional issues. The School uses a personalized learning service model that begins with the creation of the students' Individualized Learning Plan. Certified teachers manage a caseload of no more than 5-8 students who have demonstrated, in other schools, an inability to cope with the demands of a classroom setting. The outreach elements of the School have grown out of research that tells us that a quality educational experience is most likely to occur if students, teachers and parents/guardians join together in meaningful collaborative relations.

Due to the intensive academic and emotional needs of the students, the low student-to-teacher ratio creates a financial challenge for the School. A service contract with Columbus City Schools partially offset the decrease in foundation revenues for the current year. The school also was awarded \$163,163 in federal funds for Comprehensive Continuous Improvement for the 2007-2008 school year. Non-operating expenditures also increased \$163,163 in connection with the approved grant.

**Contacting the School's Financial Management**

This financial report is designed to provide the reader with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Teresa Fry, Fiscal Officer at Crittenton Community School, 1515 Indianola Avenue, Columbus, Ohio 43201, 614-294-2661 or e-mail at [tfry@dfyf.org](mailto:tfry@dfyf.org).

CRITTENTON COMMUNITY SCHOOL

STATEMENTS OF NET ASSETS

	June 30	
	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 35,008	\$ 67,827
Intergovernmental receivable	28,134	3,200
Prepaid items	-	16,593
Total Current Assets	<u>63,142</u>	<u>87,620</u>
Capital Assets, Net of Accumulated Depreciation	<u>87,320</u>	<u>95,146</u>
Total Assets	<u>\$ 150,462</u>	<u>\$ 182,766</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 18,746	\$ 1,301
Accounts payable - related parties	27,863	31,821
Loan payable - related party	-	7,666
Accrued wages and related liabilities	28,577	19,353
Benefits payable	11,169	21,065
Intergovernmental payable	<u>2,059</u>	<u>4,589</u>
Total Current Liabilities	88,414	85,795
NET ASSETS		
Invested in capital assets	87,320	95,146
Unrestricted	<u>(25,272)</u>	<u>1,825</u>
Total Net Assets	<u>62,048</u>	<u>96,971</u>
Total Liabilities And Net Assets	<u>\$ 150,462</u>	<u>\$ 182,766</u>

See notes to financial statements.

CRITTENTON COMMUNITY SCHOOL

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	June 30	
	2008	2007
<b>OPERATING REVENUES</b>		
Foundation payments	\$ 564,324	\$ 635,614
Columbus public school payments	151,266	100,197
Disadvantaged pupil impact aid	7,944	14,705
Donations	22,161	11,800
Other operating revenue	25	32,179
	<hr/>	<hr/>
Total Operating Revenue	745,720	794,495
<b>OPERATING EXPENSES</b>		
Salaries	484,934	569,304
Fringe benefits	127,016	125,649
Purchased services	127,853	105,217
Materials and supplies	24,512	18,194
Depreciation	7,826	3,033
Other operating expenses	8,502	35,885
	<hr/>	<hr/>
Total Operating Expenses	780,643	857,282
Operating Loss	(34,923)	(62,787)
<b>NON-OPERATING REVENUES AND (EXPENSES)</b>		
Grants	163,163	1,130
Salaries	(90,010)	-
Fringe benefits	(12,787)	-
Purchased services	(51,344)	-
Materials and supplies	(9,022)	-
	<hr/>	<hr/>
Total Non-Operating Revenues	-	1,130
Changes In Net Assets	(34,923)	(61,657)
<b>NET ASSETS</b>		
Beginning of year	96,971	158,628
	<hr/>	<hr/>
End of year	\$ 62,048	\$ 96,971
	<hr/>	<hr/>

See notes to financial statements.

CRITTENTON COMMUNITY SCHOOL

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from State of Ohio	\$ 586,331	\$ 650,319
Cash received from Columbus public schools	124,832	100,197
Other operating receipts	23,686	27,541
Cash payment to employees for services	(612,622)	(689,413)
Cash payments to suppliers for goods and services	(134,920)	(126,710)
Cash payments for other operating expenses	(8,502)	(35,885)
	<u>(21,195)</u>	<u>(73,951)</u>
<b>CASH FLOWS USED IN CAPITAL AND RELATED INVESTING ACTIVITIES</b>		
Capital asset purchases	-	(8,753)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Grants received	163,163	19,145
Non-operating expenditures	(163,163)	-
Loan repayment to related party	(7,666)	-
(Payments to) proceeds from related parties, net	(3,958)	31,821
	<u>(11,624)</u>	<u>50,966</u>
Net Cash (Used In) Provided By Financing Activities		
	(32,819)	(31,738)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>67,827</u>	<u>99,565</u>
End of year	<u>\$ 35,008</u>	<u>\$ 67,827</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating Loss	\$ (34,923)	\$ (62,787)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Depreciation	7,826	3,033
Changes in Assets and Liabilities:		
Intergovernmental receivable	(24,934)	-
Prepaid items	16,593	(16,438)
Accounts payable	17,445	(3,299)
Accrued wages and related liabilities	9,224	5,330
Benefits payable	(9,896)	210
Intergovernmental payable	(2,530)	-
Total Adjustments	<u>13,728</u>	<u>(11,164)</u>
Net Cash Used In Operating Activities	<u>\$ (21,195)</u>	<u>\$ (73,951)</u>

See notes to financial statements.

CRITTENTON COMMUNITY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Crittenton Community School (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies 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. Specifically, the School's purpose is to be a model community school serving middle school students in the sixth (6<sup>th</sup>) through ninth (9<sup>th</sup>) grades. The School, which is part of the state's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The creation of the School was initially proposed to the Ohio Department of Education by the developers of the School in January 2001. The Ohio Department of Education approved the proposal and entered into a contract with the developers, which provided for the commencement of School operations on August 26, 2002. The School operates under a nine-member Board of Governors. 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. The Principal of the School, under the direction of the CEO, controls the School's one instructional facility staffed by 5 full-time certificated personnel, 15 part-time certificated personnel and the 3 non-certificated personnel (1 full-time and 2 part-time), who provided services to the approximately 98 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The more significant of the School's accounting policies are described below:

**Basis of Presentation** - The School's basic financial statements consist of a statement of net assets, a statement of revenue, expenses and changes in net assets, and a statement of cash flows. Enterprise reporting focuses on the determination of the changes in net assets, financial position and cash flows.

**Measurement Focus** - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

**Basis of Accounting** - Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include certain grants, entitlements and donations. Revenue from non-exchange transactions is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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. Expenses are recognized at the time they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided by the School's contract with its sponsor. The contract between the School and its sponsor, St. Aloysius, does not prescribe a budgetary process for the School; therefore, no budgetary information is presented in the financial statements.

Cash and Cash Equivalents - All monies received by the School are maintained in a single demand deposit account. Fund integrity is maintained through School records and the USAS accounting system. Total cash for the fund is presented as "cash and cash equivalents" on the accompanying statement of net assets.

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

Capital Assets - Capital assets are recorded at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of five hundred dollars (\$500). The School did not capitalize any interest during the fiscal year. 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 useful life are not capitalized. Depreciation of furniture and equipment is computed using the straight-line method over the estimated useful life of the asset, using a half-year in the year of acquisition. Improvements to capital assets are depreciated over the remaining useful lives of the related fixed assets. Useful life ranges are from 5 to 40 years, depending on the asset.

Intergovernmental Revenue - The School currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) 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 in which the resources are required to be used or the fiscal year in which use is permitted, matching requirements, for which the School must provide local resources to be used for a specified purpose, and expenditure requirements, for which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above-named programs totaled \$572,268 and \$650,319 for the years ended June 30, 2008 and 2007, respectively.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items - Payments made to vendors for services that will benefit periods beyond the current fiscal year 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 expensed in the year in which services are consumed.

Net Assets - Net assets represent the difference between assets and liabilities. Invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from primary activities. For the School, these revenues are operating grants and sales for food service. Operating expenses represent costs incurred to provide the goods or services to carry out the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

NOTE 3 - DEPOSITS

At fiscal year-end June 30, 2008, the carrying amount of the School's deposits was \$35,008, and the bank balance was \$35,872, the difference representing outstanding checks. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2008, none of the bank balance was exposed to custodial risk as discussed below, because the entire balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the School will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School.

The School had no deposit policy for custodial risk beyond the requirements of the state statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secure.

NOTE 4 - RELATED PARTY TRANSACTIONS

The School entered into a service agreement dated July 1, 2007 with Directions for Youth and Families Group, Inc., (Group) to provide them with strategic planning and executive managerial support services. Executive services provided by the Group include representing the School's interests with the Board of Governors, the community and various funding sources. Financial services include, but are not limited to, financial statement and budget preparation and accounts payable and payroll preparation. Executive services also include planning, property management and public relations. Total charges for fiscal years 2008 and 2007 amounted to \$24,228 and \$38,497, respectively.



CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued)

The agreement term is indefinite and shall continue until terminated by either party with 180 days' notice. The monthly fee amount was \$2,019 and \$3,208 for the years ended June 30, 2008 and 2007, respectively, and that fee is adjusted annually.

The Group loaned the School \$23,000 in the fiscal year 2003. The remaining balance, reflected as a loan payable at June 30, 2007, was paid in full during the current year. The Group advanced an additional \$27,863 and \$17,123 for operations at June 30, 2008 and 2007, respectively.

The School is a party to an operating lease agreement for office space with the Group. The lease expired June 30, 2008, but was renewed subsequent to year-end, for an additional year. The total rent expense in relation to this operating lease for each of the years ended June 30, 2008 and 2007 was approximately \$30,000.

The School periodically receives advances from Directions for Youth and Families, Inc. to fund operations. There were no advances outstanding at June 30, 2008. Advances outstanding totaled \$14,698 at June 30, 2007.

Accounting principles generally accepted in the United States of America require that financial statements of entities controlled through a common board of trustees be consolidated. The School does not have a common board of trustees with the Group, and therefore, the financial statements of these organizations have not been consolidated; however, where control exists in connection with an agreement, the School is required to display summarized financial information of the related entity.

The summarized financial position of the Group as of June 30, 2008 and 2007 is as follows: total assets of \$6,057,181 and \$5,277,876; total liabilities of \$681,520 and \$523,865; and total net assets of \$5,375,661 and \$4,754,011, respectively. The total change in net assets for the years ended June 30, 2008 and 2007 was \$621,649 and \$134,366, respectively.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>
Capital Assets Being Depreciated:				
Furniture and Equipment	\$ 27,262	-	-	\$ 27,262
Leasehold Improvements	<u>77,566</u>	<u>-</u>	<u>-</u>	<u>77,566</u>
Total Capital Assets Being Depreciated	<u>104,828</u>	<u>-</u>	<u>-</u>	<u>104,828</u>
Less Accumulated Depreciation:				
Furniture and Equipment	9,682	\$ 3,948	-	13,630
Building Improvements	<u>-</u>	<u>3,878</u>	<u>-</u>	<u>3,878</u>
Total Accumulated Depreciation	<u>9,682</u>	<u>7,826</u>	<u>-</u>	<u>17,508</u>
Capital Assets, Net of Accumulated Depreciation	\$ <u>95,146</u>	\$ <u>(7,826)</u>	<u>-</u>	\$ <u>87,320</u>

NOTE 6 - RISK MANAGEMENT

Property and Liability - 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. The School maintains insurance coverage for rental/theft, general liability, and directors' and officers' liability in the amount of \$1,000,000, which the Board of Governors believes to be adequate.

There were no significant changes in insurance coverage and the School's settlements did not exceed insurance coverage for each of the past three years.

Workers' Compensation - The School paid the State Workers' Compensation System a premium for employee injury coverage in fiscal year 2008. The premium is calculated by multiplying the monthly gross total payroll by a factor that is calculated by the state.

Employee, Medical, Dental and Vision Benefits - The School provided employee health insurance and dental insurance benefits to full-time certificated and non-certificated personnel during fiscal year 2008. Personnel contribute a portion of the cost of the benefit.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System - The School contributes to the School Employees Retirement System of Ohio (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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 7 - DEFINED BENEFIT PENSION PLANS (Continued)

The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio, 43215-3746, or by calling (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

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 School 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 fiscal year 2007, 10.68% of annual covered salary was the portion 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's Retirement Board. The adequacy of the contribution rates is determined annually. The School's required contributions to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, the latest information available, were \$7,615, \$5,769, and \$13,307, respectively.

State Teachers Retirement System - The School 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 retirement and disability benefits to members and death and survivor benefits to beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio, 43215-3371, or by calling (614) 227-4090, or by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times 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. 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.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 7 - DEFINED BENEFIT PENSION PLANS (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 School 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 fiscal years 2006 and 2005, 13% of annual covered salary was the portion 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 employee contributions. The School's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$71,303, \$73,974, and \$56,017, respectively.

NOTE 8 - POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certificated employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go basis.

All STRS retirees who participated in the DB or Combined plans and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the 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. For fiscal year 2007, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School, this amount was \$5,093 during fiscal 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion at June 30, 2006 (the latest information available). For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS were \$282.743 million, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32% of covered payroll, a decrease of 0.10% from fiscal year 2006. 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 2007, the minimum pay has been established at \$35,800. Total surcharge is capped at 2% of each employer's SERS salaries. For the School, the amount to fund health care benefits, including surcharge, was \$1,983 during the 2007 fiscal year.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 8 - POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. Net costs for health care at June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006, (the latest information available) SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006, SERS had 59,492 participants currently receiving health care benefits.

NOTE 9 - OTHER EMPLOYEE BENEFITS

Compensated Absences - The criteria for determining vacation and sick leave components are derived from School policy and state laws. All employees are at-will employees and do not have contracts as employees in traditional school districts. Salaried employees accrue sick time of 15 days per calendar year. Hourly rate employees do not accrue leave and are paid based upon hours worked only. Upon separation of service, sick and vacation time is not paid.

NOTE 10 - 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 plan 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.

NOTE 11 - CONTINGENCIES

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 is 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, 2008.

Litigation - A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) School's 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 on November 18, 2003.

CRITTENTON COMMUNITY SCHOOL

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008 AND 2007

NOTE 11 - CONTINGENCIES (Continued)

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. On October 25, 2006, the Ohio Supreme Court affirmed the decision of the Court of Appeals that Community Schools are part of the state public educational system.

NOTE 12 - PURCHASED SERVICES

Purchased services for the fiscal years ended June 30, were as follows:

	<u>2008</u>	<u>2007</u>
Service agreement fees	\$ 68,441	\$ 38,581
Audit fees	7,000	8,198
Sponsorship fee	11,374	13,100
Data center	11,038	14,138
Building lease	30,000	30,000
Other	<u>-</u>	<u>1,200</u>
	<u>\$ 127,853</u>	<u>\$ 105,217</u>

NOTE 13 - FULL-TIME EQUIVALENCY

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure that the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the fiscal year ended June 30, 2008 and 2007 reconciliations, it was determined that the School received overpayments for 2008 and 2007 of \$4,084 and \$4,589, respectively, which are recorded as liabilities. The amount of the overpayment is deducted from subsequent state foundation payments.

[This Page Intentionally Left Blank]

SUPPLEMENTARY FINANCIAL INFORMATION





INSIGHT ■ INNOVATION ■ EXPERIENCE

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

Board of Governors  
Crittenton Community School  
Franklin County  
1418 East Broad Street  
Columbus, Ohio 43205

We have audited the accompanying basic financial statements of Crittenton Community School (the School), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 4, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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

Schneider Downs & Co., Inc.  
www.schneiderdowns.com

1133 Penn Avenue  
Pittsburgh, PA 15222-4205  
TEL 412.261.3644  
FAX 412.261.4876

41 S. High Street  
Suite 2100  
Columbus, OH 43215-6102  
TEL 614.621.4060  
FAX 614.621.4062



## Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

SCHNEIDER DOWNS & CO., INC.

Columbus, Ohio  
December 4, 2008



**Mary Taylor, CPA**  
Auditor of State

**CRITTENTON 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  
JANUARY 13, 2009**