# NOBLE ACADEMY - COLUMBUS
## FRANKLIN COUNTY

## SINGLE AUDIT

## FOR THE YEAR ENDED JUNE 30, 2009


Mary Taylor, CPA
Auditor of State

**NOBLE ACADEMY**
**FRANKLIN COUNTY**

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Mary Taylor, CPA
Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Noble Academy - Columbus
Franklin County
1329 Bethel Road
Columbus, Ohio 43220

To the Board of Directors:

We have audited the accompanying financial statements of Noble Academy - Columbus, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Noble Academy - Columbus, Franklin County, Ohio, as of June 30, 2009, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2010, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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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www.auditor.state.oh.us

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. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the Academy’s basic financial statements. The federal awards receipts and expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards receipts and expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Mary Taylor, CPA**
Auditor of State

February 1, 2010

# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE FISCAL YEAR ENDED JUNE 30, 2009
# (UNAUDITED)

The discussion and analysis of Noble Academy- Columbus, Inc.'s (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. Readers should also review the financial statements and notes to enhance their understanding of the School's financial performance.

**Financial Highlights:**

Key financial highlights for fiscal year 2009 are as follows:

- Total net assets increased by $249,813 from $40,602 to $290,415
- The School had total operating revenues of $636,505
- The School had total operating expenses of $1,036,034
- The current liabilities increased by $107,406
- The School received Federal and State Grants totaling $638,171

The School has been awarded Public Charter School Program grant (Start-up Grant) for the Fiscal Year Ended June 30, 2009, which was the School's third academic year. The original award amount was $450,000, but later ODE allocated another $100,000 for the purposes of increasing academic achievement in the subject areas of Mathematics and Reading. These funds helped the School to purchase necessary textbooks, classroom supplies, instructional furniture, and technological equipment. Under the scope of the grant, the School acquired Capital Assets worth $300,000. Another factor that affected the School's financial standing was a 22% increase in enrollment. The School increased its enrollment from 77 to 94 in fiscal year 2009. With the help of Start-up funds and increased foundation income, the School recorded a net profit of $249,813 for the fiscal year.

**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 2008. 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 comparison of School's net assets in fiscal years in 2008 and 2009.

| | June 30, 2008 | June 30, 2009 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and Cash Equivalents | 38,909 | 61,407 |
| Intergovernmental Receivable | 21,310 | 68,208 |
| HSA- Cincinnati Loan | 20,325 | 0 |
| Interest Receivable | 220 | 0 |
| ***Total Current Assets*** | **80,764** | **129,615** |
| **Non-Current Assets** | | |
| Capital Assets (Net of Accumulated Depreciation) | 13,090 | 321,458 |
| **Total Assets** | **$ 93,854** | **$ 451,073** |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts Payable | 2,565 | 114,134 |
| Accrued Wages | 32,525 | 39,474 |
| Payroll Liabilities | 18,162 | 7,050 |
| **Total Liabilities** | **$ 53,252** | **$ 160,658** |
| **NET ASSETS** | | |
| Investment in Capital Assets | 13,090 | 321,458 |
| Unrestricted | 27,512 | (31,043) |
| **Total Net Assets** | **$ 40,602** | **$ 290,415** |

**Table 2** provides a comparison of School's Revenues & Expenses and Changes in Net Assets in fiscal years in 2008 and 2009.

| Operating Revenues/Expense | June 30, 2008 | June 30, 2009 |
|---|---|---|
| **Revenues** | | |
| Foundation Payments | 478,316 | 602,839 |
| Special Education | 1,448 | 24,938 |
| Extracurricular Activities | 955 | 546 |
| Other Local Revenue | 7,066 | 8,182 |
| **Total Operating Revenues** | **487,785** | **636,505** |
| **Expenses** | | |
| Salaries | 394,551 | 395,199 |
| Benefits | 80,451 | 92,611 |
| Purchased Services | 236,709 | 341,378 |
| Supplies & Materials | 68,124 | 163,595 |
| Other | 18,196 | 29,460 |
| Depreciation Expense | 4,385 | 13,791 |
| **Total Operating Expenses** | **802,416** | **1,036,034** |
| **Net Operating Loss** | **(314,631)** | **(399,529)** |
| **Non-Operating Revenues** | | |
| Federal Grants | 104,037 | 633,171 |
| State Grants | 3,000 | 5,000 |
| Interest from Investments | 2,017 | 260 |
| Management Fee Forgiveness | 0 | 10,911 |
| **Non-Operating Revenues** | **109,054** | **649,342** |
| **Net Assets** | | |
| Change in Net Assets | (205,577) | 249,813 |
| Net Assets at Beginning of Year | 246,179 | 40,602 |
| **Net Assets at End of Year** | **$ 40,602** | **$ 290,415** |

The increase in the Supplies and Materials is due to textbooks and supplementary books purchases. The increase in the Federal Grants is due to the Start up grant, the School received in total of $550,000 during the fiscal year. $64,364 of which was yet to be received as of June 30, 2009 and recorded under Intergovernmental Receivables.

**Table 3** shows the distribution of revenues in Fiscal Year 2009.

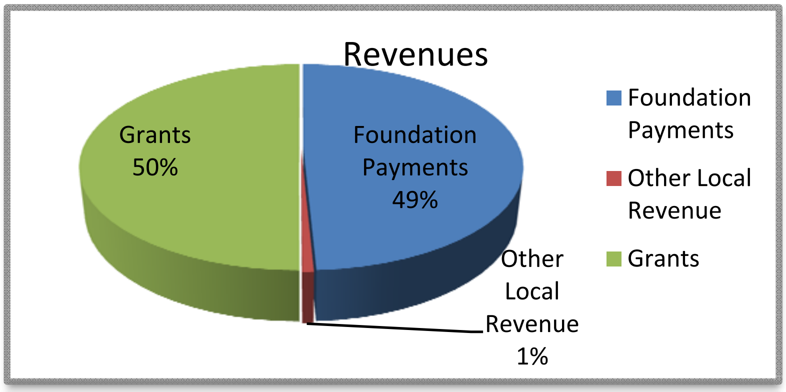


**Table 4** shows the distribution of expenses in Fiscal Year 2009.

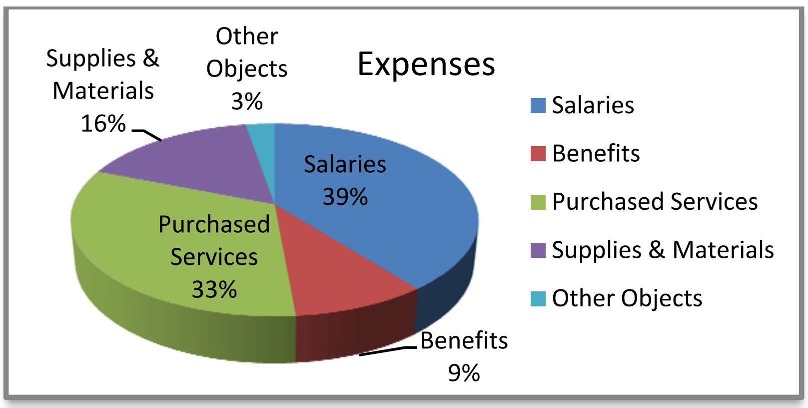


**Table 5** shows the Capital Assets net of Accumulated Depreciation.

**Capital Assets**

| | Balance July 1, 2008 | Additions | Deletions | Ending June 30, 2009 |
|---|---|---|---|---|
| Equipment- Instructional | $ 10,671 | $ 261,751 | $ - | $ 272,422 |
| Equipment- Office | $ 8,111 | $ 5,909 | $ - | $ 14,020 |
| School Vehicles | $ - | $ 13,000 | $ - | $ 13,000 |
| Improvements | $ - | $ 41,500 | $ - | $ 41,500 |
| **Total Fixed Assets** | **$ 18,782** | **$ 322,160** | **$ -** | **$ 340,942** |
| Less: Accumulated Depreciation | $ (5,692) | $ (13,792) | $ - | $ (19,484) |
| **Net Fixed Assets** | **$ 13,090** | **$ 308,368** | **$ -** | **$ 321,458** |

The additions in the instructional equipment include classroom furniture such as student desks, chairs, teacher desks, cabinets, computer desks, science laboratory furniture and technological equipment such as computers for students and teachers and smart boards for the classrooms. The increase under Improvements is due to the replacement of old and dirty carpets in the buildings with LCD tiles. The School also acquired two minivans to be used for the extracurricular activities.

**Contacting the School's Financial Management:**

This financial report is designed to provide citizens, grantors and potential creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Ryan Uysaler, Treasurer, Noble Academy-Columbus, Inc. 1329 Bethel Rd. Columbus, OH 43220.

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**NOBLE ACADEMY – COLUMBUS**
**FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

| | |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Cash and Cash Equivalents | 61,407 |
| Intergovernmental Receivable | 68,208 |
| ***Total Current Assets*** | **129,615** |
| **Non-Current Assets** | |
| Capital Assets (Net of Accumulated Depreciation) | 321,458 |
| **Total Assets** | **451,073** |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Accounts Payable | 114,134 |
| Accrued Wages | 39,474 |
| Payroll Liabilities | 7,050 |
| **Total Liabilities** | **160,658** |
| **NET ASSETS** | |
| Investment in Capital Assets | 321,458 |
| Unrestricted | (31,043) |
| **Total Net Assets** | **$ 290,415** |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY – COLUMBUS**
**FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES**
**AND CHANGE IN NET ASSETS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

| | |
|---|---|
| **Operating Revenues/Expense** | |
| **Revenues** | |
| Foundation Payments | 602,839 |
| Special Education | 24,938 |
| Extracurricular Activities | 546 |
| Other Local Revenue | 8,182 |
| **Total Operating Revenues** | **636,505** |
| **Expenses** | |
| Salaries | 395,199 |
| Benefits | 92,611 |
| Purchased Services | 341,378 |
| Supplies & Materials | 163,595 |
| Other | 29,460 |
| Depreciation Expense | 13,791 |
| **Total Operating Expenses** | **1,036,034** |
| **Net Operating Loss** | **(399,529)** |
| **Non-Operating Revenues** | |
| Federal Grants | 633,171 |
| State Grants | 5,000 |
| Interest from Investments | 260 |
| Management Fee Forgiveness | 10,911 |
| **Non-Operating Revenues** | **649,342** |
| **Net Assets** | |
| Change in Net Assets | 249,813 |
| Net Assets at Beginning of Year | 40,602 |
| **Net Assets at End of Year** | **$ 290,415** |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENT

**NOBLE ACADEMY – COLUMBUS**
**FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS**
**FOR FISCAL YEAR ENDED JUNE 30, 2009**

| | | |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash Received from State of Ohio | | 627,777 |
| Cash Received from Other Operating Revenues | | 8,728 |
| Cash Payments to Suppliers for Goods and Services | | (451,076) |
| Cash Payments to Employees for Services | | (388,250) |
| Cash Payments for Employee Benefits | | (103,723) |
| Other Cash Payments | | (26,910) |
| **Net Cash Provided by/used for Operating Activities** | | **(333,454)** |
| | | |
| **Cash Flows from Noncapital Financial Activities** | | |
| Grants Received from Federal Government | | 589,473 |
| Grants Received from State | | 1,800 |
| Loan to HSA Columbus Elem. School | | (30,000) |
| Proceeds from Loan to HSA Cincinnati | | 20,325 |
| Proceeds from Loan to HSA Columbus Elem. School | | 30,000 |
| Interest Received | | 480 |
| **Net Cash Provided by/used for Noncapital Financial Activities:** | | **612,078** |
| | | |
| **Cash Flows from Capital and Related Activities** | | |
| Payments for Capital Acquisitions | | (256,126) |
| **Net Cash Used for Capital and Related Activities** | | **(256,126)** |
| | | |
| **Net Increase in Cash and Cash Equivalents** | **$** | **22,498** |
| **Cash and Cash Equivalents at Beginning of Year** | **$** | **38,909** |
| **Cash and Cash Equivalents at End of Year** | **$** | **61,407** |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NOBLE ACADEMY – COLUMBUS**
**FRANKLIN COUNTY**

**STATEMENT OF CASH FLOWS**
**FOR FISCAL YEAR ENDED JUNE 30, 2009**
**(Continued)**

| | | |
|---|---|---|
| **Reconciliation of Operating Income to Net Cash Provided for Operating Activities:** | | |
| Operating Income | **$** | **(399,529)** |
| | | |
| **Adjustments to Reconcile Operating Loss to Net Cash Provided for Operating Activities** | | |
| Depreciation | | 13,791 |
| **Changes in Assets and Liabilities** | | |
| Increase in Accounts Payable | | 45,536 |
| Decrease in Payroll Liabilities | | (11,112) |
| Increase in Wages Payable | | 6,949 |
| Increase in Management Fee Forgiveness | | 10,911 |
| **Total Adjustments** | | **66,075** |
| | | |
| **Net Cash Used for Operating Activities** | **$** | **(333,454)** |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

## 1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Noble Academy- Columbus, Inc. (the School), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades K through twelve in Columbus. The School, which is part of the State's education program, is independent of any School and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School has been approved as an exempt organization under Section 501(c) (3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax-exempt status.

The School was approved for operation under contract with the Buckeye Hope Foundation (the Sponsor) for a period of five years commencing March 15, 2006.

The School operates under the direction of a self-appointed five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. In fiscal year 2009 the School employed 13 personnel for up to 94 students.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows.

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

### B. Measurement Focus and Basis of Accounting

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

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

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

### C. Budgetary Process

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

### D. Cash

To improve cash management, all cash received by the School is pooled in a central bank account. Total cash amount at the end of the fiscal year is presented as "Cash" in the Statement of Net Assets.

### E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintained a capitalization threshold of one thousand dollars for inventory assets and ten thousand dollars for fixtures and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. The School does not capitalize interest.

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

| | Useful Life |
|---|---|
| Improvements | 3 to10 years |
| Heavy Duty Office or Classroom Furniture | 10 years |
| Computers and Other Electronic Equipment | 3 to 5 years |
| Vehicles | 3 to 10 years |

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

### F. Intergovernmental Revenues

In fiscal year 2009 the School participated in the State Foundation Program and Special Education Program. Revenues received from State Foundation Program, Special Education Program and other State programs are recognized as operating revenues.

### G. Operating Revenues and Expenses

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

### H. Compensated Absences

School policy indicates that all full time employees are entitled to eight days of sick/personal days in a school year. All leave earned by employees must be used within the current school year and cannot be transferred to the next school year. At the end of the year employees are awarded $100 per each unused sick/personal day.

### I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. At the end of the fiscal year ended June 30, 2009 the School did not have any restricted net assets.

### J. Estimates

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

## 3. DEPOSITS AND INVESTMENTS

At June 30, 2009, the book balances of the School's bank accounts at National City Bank and Chase Bank were $57,786 and $3,621 and the actual Bank balances were $139,102 and $3,880. The bank balances were insured by FDIC up to $250,000. The School had no investments at June 30, 2009 or during the fiscal.

## 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

| Capital Assets | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Balance July 1, 2008 | | Additions | | Deletions | | Ending June 30, 2009 |
| Equipment- Instructional | $ | 10,671 | $ | 261,751 | $ | - | $ | 272,422 |
| Equipment- Office | $ | 8,111 | $ | 5,909 | $ | - | $ | 14,020 |
| School Vehicles | $ | - | $ | 13,000 | $ | - | $ | 13,000 |
| Improvements | $ | - | $ | 41,500 | $ | - | $ | 41,500 |
| Total Fixed Assets | **$** | **18,782** | **$** | **322,160** | **$** | **-** | **$** | **340,942** |
| Less: Accumulated Depreciation | $ | (5,692) | $ | (13,792) | $ | - | $ | (19,484) |
| **Net Fixed Assets** | **$** | **13,090** | **$** | **308,368** | **$** | **-** | **$** | **321,458** |

## 5. DEFINED BENEFIT PENSION PLANS

### A. School Employees Retirement System

Plan Description - The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or visiting the SERS web site at www.ohsers.org.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent 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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The remaining 4.91% of the 14% employer contribution rate is allocated to the HealthCare and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations to SERS for its fiscal years ended June 30, 2009, 2008 and 2007 were $959, $7,835, $2,765, and respectively; 100 percent has been contributed for fiscal year 2009 and previous years.

## 5. DEFINED BENEFIT PENSION PLANS (Continued)

### B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2009, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was allocated to fund pension obligations and 1 percent was allocated to the HealthCare Fund. For fiscal year 2008, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were $53,596, $44,070 and $4,058 respectively, 100 percent has been contributed for fiscal year 2009 and for the previous years.

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System.

## 6. POSTEMPLOYMENT BENEFITS

### A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was $1,285.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were $285, $2,339 and $1,262 respectively; 100 percent has been contributed for fiscal year 2009 and for the previous years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.75 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008 and 2007 were $51, $369 and $199 respectively; 100 percent has been contributed for fiscal year 2009 and for the previous years.

### B. State Teachers Retirement System

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

## 6. POSTEMPLOYMENT BENEFITS (Continued)

### B. State Teachers Retirement System (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2009, 2008 and 2007 were $3,828, $3,148, and $312 respectively; 100 percent has been contributed for fiscal year 2009 and for the previous years.

## 7. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2009, the School contracted with the O'Neil Group for insurance through Auto Owner's Insurance Co., National Liability and Fire, and National Union Fire Insurance for property and general liability insurance with a $1,000,000 single occurrence limit and $2,000,000 annual aggregate with no deductible. The School did not make any claims in the fiscal year. Settlements did not exceed insurance coverage for the past 3 fiscal years.

## 8. EMPLOYEE MEDICAL AND DENTAL BENEFITS

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

## 9. PURCHASED SERVICES

Purchased service expenses during fiscal year 2009 were as follows:

| Purchased Services | |
|---|---|
| **Type** | **Amount** |
| Professional Services | 103,584 |
| Management Fees | 33,411 |
| Rent and Property Services | 125,660 |
| Advertising and Communications | 51,689 |
| Pupil Transportation | 420 |
| Food Services | 26,125 |
| Staff Travel Expenses | 488 |
| **Total** | $ 341,378 |

## 10. OPERATING LEASES

In August 2006, the School entered into a one year sublease agreement with Horizon Science Academy- Columbus for one classroom at their Bethel Road facilities. The contracted lease amount was $1,500 per month. On August 18, 2007, the sublease agreement was renegotiated for an additional year to include exclusive use of one of the three buildings and common use of a second building. The contracted lease amount was $9,500 per month. The Three Building campus was shared equally between Noble Academy- Columbus and Horizon Science Academy- Columbus Middle School and both schools paid the same monthly rent.

The original lease agreement for the Bethel Road facilities is between Horizon Science Academy- Columbus and B&A Realty. This current agreement was signed on June 30, 2003 and is for six year lease that includes an annual 4% increase. For fiscal year 2009, the original lease agreement was $18,904 per month.

## 11. CONTINGENCIES

### A. Grants

In fiscal year 2009, the School received Federal and State grants in total of $638,171. 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 for 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 Noble Academy- Columbus at June 30, 2009.

### B. Ohio Department of Education Enrollment Review

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the Community School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. ODE hasn't conducted a review for the School's 2009 student enrollment data and FTE calculations yet. We assume any balance either receivable or payable as a result of this review would be insignificant to the School's financials.

## 12. NOTE RECEIVABLES

In September 2007, the School's Board approved a loan of $80,000 to Horizon Science Academy- Cincinnati, a sister school under Concept School's management with an interest rate of 6.5%, payable in eight equal payments starting in November 2007. The Balance of the loan at June 30, 2008 was $20,325 with an interest receivable of $220. In the fiscal year 2009 HSA- Cincinnati paid off the outstanding balance with an additional interest of $260.31.

In August 2008, the School's Board also approved a short term, interest free loan of $30,000 to Horizon Science Academy Columbus Elementary School for its start-up expenses. HSA- Columbus Elementary School paid off the loan in the fiscal year.

## 13. SPONSORSHIP AGREEMENT

On March 15, 2006, the School signed a sponsorship agreement with Buckeye Hope Foundation for five years. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. According to the contract agreed by both parties, the School pays 2% of its foundation revenues to the Sponsor. In fiscal year 2009, the schools compensation to the Sponsor occurred as $12,544.

## 14. MANAGEMENT COMPANY AGREEMENT

School contracted with Concepts Schools, Inc. on March 15, 2006 to serve as the School's Management Company. The contract is renewed automatically every year in one year terms unless the school or the management company decides otherwise. According to the contract, the school transfers 10% of the funds received from State. The total expenses recorded to Concept Schools in fiscal year 2009 amounted to $51,875. The remaining balance of $10,911 has been forgiven by Concept Schools.

## 15. SUBSEQUENT EVENTS

On August 15, 2009, the Board approved a $55,000 zero interest loan, if the entire loan is repaid within 90 days, to Horizon Science Academy. If not paid within 90 days, 7 percent interest will be added to the balance of the loan.

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**NOBLE ACADEMY - COLUMBUS**
**FRANKLIN COUNTY**

**FEDERAL AWARDS OF RECEIPTS AND EXPENDITURES SCHEDULE**
**FOR THE YEAR ENDED JUNE 30, 2009**

| **FEDERAL GRANTOR**<br>***Pass Through Grantor***<br>Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Disbursements |
|---|---|---|---|---|
| **U.S. DEPARTMENT OF EDUCATION** | | | | |
| *Passed Through Ohio Department of Education* | | | | |
| Title I Grants to Local Education Agencies | 2008/2009 | 84.010 | $ 60,350 | $ 57,809 |
| Safe and Drug Free Schools - State Grant | 2009 | 84.186 | 72 | 715 |
| Innovative Education Program Strategy, Title V | 2009 | 84.298 | 34 | 34 |
| Title II-D Technology Fund | 2009 | 84.318 | 501 | 501 |
| Title II-A - Improving Teacher Quality | 2009 | 84.367 | 1,951 | 1,951 |
| Public Charter Schools Program | 2009 | 84.282 | 485,636 | 447,264 |
| Total U.S. Department of Education | | | 548,544 | 508,274 |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | | |
| *Passed Through Ohio Department of Education* | | | | |
| Nutrition Cluster | | | | |
| Cash Assistance: | | | | |
| School Breakfast Program | 2009 | 10.553 | 9,709 | 9,709 |
| National School Lunch Program | 2009 | 10.555 | 16,744 | 16,744 |
| Total U.S. Department of Agriculture | | | 26,453 | 26,453 |
| **Total** | | | **$ 574,997** | **$534,727** |

*The accompanying notes are an integral part of this schedule.*

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE**
**FISCAL YEAR ENDED JUNE 30, 2009**

## NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Noble Academy – Columbus, Franklin County, Ohio (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

## NOTE B - CHILD NUTRITION CLUSTER

The Academy commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Academy assumes it expends federal monies first.

Mary Taylor, CPA
Auditor of State

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

Noble Academy - Columbus
Franklin County
1329 Bethel Road
Columbus, Ohio 43220

To the Board of Directors:

We have audited the financial statements of Noble Academy - Columbus, Franklin County, Ohio (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated February 1, 2010. 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 Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy'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 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 Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain internal control matters that we reported to the Academy's management in a separate letter dated February 1, 2010.

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www.auditor.state.oh.us

**Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the School's management in a separate letter dated February 1, 2010.

We intend this report solely for the information and use of management, Board of Directors, audit committee, and Buckeye Community Hope Foundation, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

February 1, 2010

Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE**

Noble Academy - Columbus
Franklin County
1329 Bethel Road
Columbus, Ohio 43220

To the Board of Directors:

**Compliance**

We have audited the compliance of the Noble Academy - Columbus, Franklin County, Ohio, (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2009. The summary of auditor's results section of the accompanying schedule of findings identifies the Academy's major federal program. The Academy's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Academy's compliance with those requirements.

In our opinion, Noble Academy – Columbus complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2009.

**Internal Control over Compliance**

The Academy's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

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A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to administer a federal program such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the Academy's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, Board of Directors, audit committee, and Buckeye Community Hope Foundation, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

February 1, 2010

**NOBLE ACADMEY - COLUMBUS**
**FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS**
**OMB CIRCULAR A -133 § .505**
**JUNE 30, 2009**

## 1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---|---|---|
| ***(d)(1)(i)*** | **Type of Financial Statement Opinion** | Unqualified |
| ***(d)(1)(ii)*** | **Were there any material control weaknesses reported at the financial statement level (GAGAS)?** | No |
| ***(d)(1)(ii)*** | **Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?** | No |
| ***(d)(1)(iii)*** | **Was there any reported material noncompliance at the financial statement level (GAGAS)?** | No |
| ***(d)(1)(iv)*** | **Were there any material internal control weaknesses reported for major federal programs?** | No |
| ***(d)(1)(iv)*** | **Were there any other significant deficiencies in internal control reported for major federal programs?** | No |
| ***(d)(1)(v)*** | **Type of Major Programs' Compliance Opinion** | Unqualified |
| ***(d)(1)(vi)*** | **Are there any reportable findings under § .510?** | No |
| ***(d)(1)(vii)*** | **Major Programs (list):** | Public Charter Schools Program<br>CFDA #84.282 |
| ***(d)(1)(viii)*** | **Dollar Threshold: Type A\B Programs** | Type A: > $ 300,000<br>Type B: all others |
| ***(d)(1)(ix)*** | **Low Risk Auditee?** | No |

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

**NONE**

## 3. FINDINGS FOR FEDERAL AWARDS

**NONE**

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Mary Taylor, CPA
Auditor of State

**Independent Accountants' Report on Applying Agreed-Upon Procedures**

Noble Academy - Columbus
Franklin County
1329 Bethel Road
Columbus, Ohio 43220

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a community school."

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

We noted the Board did not adopt an anti-harassment / bullying policy as of June 30, 2009.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, the Board of Directors, the audit committee, and Buckeye Community Hope Foundation and is not intended to be and should not be used by anyone other than these specified parties.

Mary Taylor

**Mary Taylor, CPA**
Auditor of State

February 1, 2010

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Mary Taylor, CPA
Auditor of State

**NOBLE ACADEMY - COLUMBUS**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**MARCH 9, 2010**

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