

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2009



Mary Taylor, CPA
Auditor of State

THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

The Charles School at Ohio Dominican University
Franklin County
1270 Brentnell Ave
Columbus, Ohio 43219

To the Board:

We have audited the accompanying basic financial statements of The Charles School at Ohio Dominican University, Franklin County, Ohio (TCS), 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 TCS's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

TCS is experiencing certain financial difficulties. Those difficulties and Management's Plans are discussed in Note 19.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2010, on our consideration of the TCS'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.

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.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 5, 2010

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Our discussion and analysis of The Charles School at Ohio Dominican University (TCS) financial performance provides an overall review of TCS's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at TCS'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 TCS's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2009 are as follows:

- In total, net assets increased \$2,828 which represents a 28.8 percent increase from 2008. This increase is due to an increase in revenues due to increased enrollment.
- Total assets increased \$252,857 which represents a 168.7 percent increase from 2008. This was primarily due to an increase in cash and capital assets from the previous year.
- Liabilities increased \$250,029 which represents a 178.4 percent increase from 2008. The increase in liabilities is primarily due to an increase in deferred revenue and accounts payable from the previous year.

USING THIS ANNUAL REPORT

This report consists of three parts, the MD&A, the basic financial statements, and notes to the basic financial statements. The basic financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Change in Fund Net Assets, and a Statement of Cash Flows.

The Statement of Net Assets and Statement of Revenues, Expenses, and Change in Fund Net Assets reflect how TCS did financially during fiscal year 2009. 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 TCS'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 TCS has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include TCS's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

TCS uses enterprise presentation for all of its activities.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Statement of Net Assets

The Statement of Net Assets answers the question of how TCS did financially during 2009. 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.

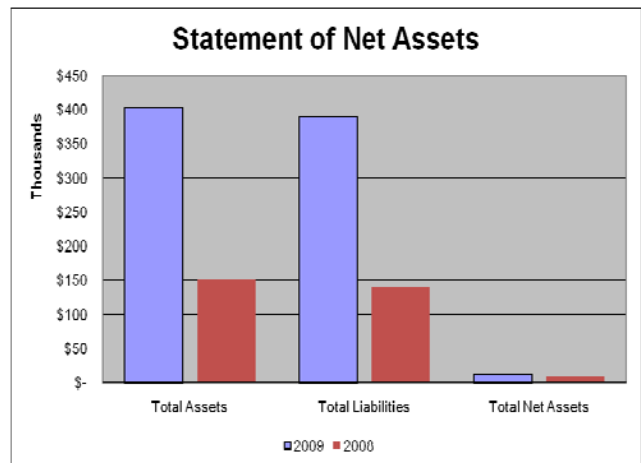
Table 1, below, is a summary of TCS's net assets for fiscal year 2009 and 2008.

(Table 1)

Statement of Net Assets

	2009	2008
Assets		
Current Assets	\$267,953	\$101,251
Capital Assets, Net	134,829	48,674
Total Assets	<u><u>\$402,782</u></u>	<u><u>\$149,925</u></u>
Liabilities		
Current Liabilities	<u><u>\$390,144</u></u>	<u><u>\$140,115</u></u>
Net Assets		
Investment in Capital Assets	\$134,829	\$ 48,674
Unrestricted	(122,191)	(38,864)
Total Net Assets	<u><u>\$ 12,638</u></u>	<u><u>\$ 9,810</u></u>

Total assets were \$402,782, an increase of 168.7% from the prior year due to an increase in capital asset additions, while total liabilities increased 178.4% to \$390,144 as a result of increased deferred revenue due to the grant award period for Middle College overlapping school years. Cash and cash equivalents were \$245,521 and capital assets, at net, were \$134,829. Intergovernmental receivables, a current asset, totaled \$3,200. Accounts receivable are \$13,280 and prepaids are \$5,952.



**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

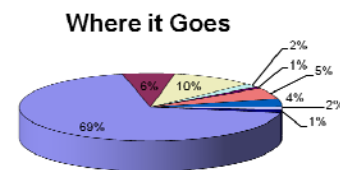
Statement of Revenues, Expenses and Change in Fund Net Assets

Table 2, below, demonstrates the changes in net assets for fiscal year 2009 and 2008, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, for TCS as a whole, the financial position of TCS has improved. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

(Table 2)
Change in Net Assets

	2009	2008
Operating Revenues		
State Aid	\$1,041,109	\$ 423,626
Food Service	1,292	4,314
Classroom Fees	6,853	2,360
Other Operating	3,086	265
Non-Operating Revenue		
Federal Grants	437,683	164,152
State Grants	8,237	3,000
Contributions & Donations	96,795	372,910
Investment Income	212	85
Total Revenues	1,595,267	970,712
Operating Expenses		
Purchased Services: Management Fees	1,095,153	732,488
Purchased Services: Rent and Property Services	102,025	48,901
Purchased Services: Professional Services	162,224	43,480
Purchased Services: Food Services	27,648	20,206
Purchased Services: Professional Development	13,236	21,117
Purchased Services: Other	84,038	44,436
Materials and Supplies	60,625	36,121
Depreciation	23,801	12,168
Other	23,689	1,985
Total Expenses	1,592,439	960,902
Change in Net Assets	\$ 2,828	\$ 9,810

Operating revenues were \$1,052,340, which represents 66.0% of total revenue, a 144% increase from the prior year, due to increase in enrollment. Operating expenses were \$1,592,439, which represents 100% of total expenses. TCS's most significant expense Purchased Services: Management Fees represents 68.8% of total expenses.



■ Purchased Services: Management Fees	■ Purchased Services: Rent and Property Services
■ Purchased Services: Professional Services	■ Purchased Services: Food Services
■ Purchased Services: Professional Development	■ Purchased Services: Other
■ Materials and Supplies	■ Depreciation
■ Other	

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

The total is primarily comprised of the management fees paid to the Graham School (TGS). The agreement, between TCS and TGS, provides for TCS to remit a specific percentage of certain revenues received to TGS to finance operations. Note 16, in the notes to the basic financial statements outlines this agreement.

Budgeting Highlights

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its sponsor. The contract between TCS and its Sponsor does not prescribe a budgetary process. TCS developed a one year spending plan and a five-year forecast that is reviewed periodically by the Board of Trustees. The five-year forecast is also submitted to the Sponsor and the Ohio Department of Education.

CAPITAL ASSETS

At the end of fiscal year 2009, TCS had \$134,829 invested in capital assets, net of depreciation. TCS increased capital assets in fiscal year 2009 with the purchase of computers, equipment and textbooks. For more information on capital assets, see Note 6 in the notes to the basic financial statements.

DEBT

At June 30, 2009, TCS had \$390,144 in total liabilities. Of this amount, TCS had \$117,000 in a line of credit. Note 12 in the notes to the basic financial statements summarize the conditions and terms of the line of credit, and other debt outstanding at June 30, 2009.

OTHER INFORMATION

For the Future

In conclusion, TCS has committed itself to financial excellence. TCS occupies a leased building from the Columbus City School District on Brentnell Ave, effective July 1, 2008. Note 11 describes the conditions and terms of the lease agreement. This building is expected to ensure that the TCS can meet its enrollment projections and give students a positive learning environment.

TCS received donations and private grants to assist in financing the operations and development of curriculum; this practice is expected to continue. TCS has an annual fundraising program and uses the expertise of the Graham School's specialists to assist in this effort.

CONTACTING THE CHARLES SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the TCS's finances and to show its accountability for the money received. If you have questions about this report or need additional information contact Ms. Cheryl Long of The Charles School at Ohio Dominican University, 1270 Brentnell Avenue, Columbus, Ohio 43214 or e-mail at cheryl@thegrahamschool.org.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2009**

Assets

Current Asset

Cash and Cash Equivalents	\$ 245,521
Accounts Receivable	13,280
Intergovernmental Receivable	3,200
Prepays	<u>5,952</u>

Total Current Assets 267,953

Noncurrent Assets

Depreciable Capital Assets, net 134,829

Total Assets 402,782

Liabilities

Current Liabilities

Accounts Payable	98,709
Line of Credit	117,000
Intergovernmental Payable	55,955
Deferred Revenue	<u>118,480</u>

Total Liabilities 390,144

Net Assets

Investment in Capital Assets, Net of Related Debt	134,829
Unrestricted	<u>(122,191)</u>

Total Net Assets \$ 12,638

See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Operating Revenues	
State Aid	\$ 1,041,109
Food Service	1,292
Classroom Fees	6,853
Other Operating	<u>3,086</u>
 Total Operating Revenues	 <u>1,052,340</u>
Operating Expenses	
Purchased Services: Management Fees	1,095,153
Purchased Services: Rent and Property Services	102,025
Purchased Services: Professional Services	162,224
Purchased Services: Food Services	27,648
Purchased Services: Professional Development	13,236
Purchased Services: Other	84,038
Materials and Supplies	60,625
Depreciation	23,801
Other	<u>23,689</u>
 Total Operating Expenses	 <u>1,592,439</u>
 Operating Loss	 <u>(540,099)</u>
Non-Operating Revenues	
Federal Grants	437,683
State Grants	8,237
Contributions & Donations	96,795
Investment Income	<u>212</u>
 Total Non-Operating Revenues	 <u>542,927</u>
 Change in Net Assets	 <u>2,828</u>
 Net Assets Beginning of Year	 9,810
 Net Assets End of Year	 <u><u>\$ 12,638</u></u>

See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

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

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 1,041,109
Cash Received from Other Operating Sources	11,231
Cash Payments to Suppliers for Goods and Services	(1,482,556)
Other Cash Payments	<u>(23,689)</u>

Net Cash Used for Operating Activities (453,905)

Cash Flows from Noncapital Financing Activities

Cash Received from Grants	502,277
Cash Received from Contributions and Donations	<u>211,674</u>

Net Cash Provided by Noncapital Financing Activities 713,951

Cash Flows from Capital and Related Financing Activities

Cash Payments for Capital Assets	<u>(109,958)</u>
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Net Cash Used in Capital Financing Activities (109,958)

Cash Flows from Investing Activities

Interest Income	<u>212</u>
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Net Cash Provided by Investing Activities 212

Net Increase in Cash and Cash Equivalents 150,300

Cash and Cash Equivalents Beginning of Year 95,221

Cash and Cash Equivalents End of Year \$ 245,521

**Reconciliation of Operating Loss to Net Cash
Used in Operating Activities**

Operating Loss \$ (540,099)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Depreciation 23,801

Changes in Assets and Liabilities:

Accounts Receivable (13,280)

Prepaid Items 78

Accounts Payable 75,595

Net Cash Used in Operating Activities \$ (453,905)

See accompanying notes to the basic financial statements

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**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

1. DESCRIPTION OF THE REPORTING ENTITY

The Charles School at Ohio Dominican University (TCS) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. TCS is an approved tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect TCS' tax-exempt status. TCS' objective is to use the Columbus community to form partnerships for student learning. Individualized programs are used to meet students' needs. Parents and students are included in all decision-making. TCS, which is part of the State's education program, is independent and is nonsectarian in its programs, admission policies, employment practices, and all other operations. TCS may acquire facilities as needed and contract for any services necessary for the operation of the school.

TCS was approved for operation under a contract with the Delaware-Union Educational Service Center (the Sponsor) for a period of one year commencing July 1, 2008. A new one year contract was approved commencing July 1, 2009. The Sponsor is responsible for evaluating the performance of TCS and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

On January 1, 2009, the Sponsor merged with the Franklin County Service Center. The surviving organization, the Educational Service Center of Central Ohio, acknowledges its obligations under the existing contract between the Sponsor and TCS, and expects to honor provisions contained therein, as documented in the Memorandum of Understanding dated January 3, 2009.

TCS operates under the direction of a seven-member governing board. The governing 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.

TCS contracts with the Graham School (TGS) for most of its day-to-day activities. (See Note 16)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of TCS have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. TCS 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. Following are the more significant of TCS' accounting policies. However, TCS has elected not to apply FASB statements and interpretations issued after November 30, 1989.

A. Basis of Presentation

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

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

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 operating statement presents increases and decreases in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided for in the sponsorship agreement. The contract between TCS and its Sponsor does not prescribe an annual budget requirement, as defined in Ohio Revised Code Chapter 5705. However, TCS prepares a five-year forecast, which is to be updated semi-annually, as required by the sponsorship agreement.

D. Cash and Cash Equivalents

All cash received by TCS is deposited in accounts in TCS's name and reflected as Cash and Cash Equivalents on the Statement of Net Assets. TCS did not have any investments during fiscal year 2009.

E. Prepaid Items

TCS records payments made to vendors for services that will benefit future periods as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is recorded in the year in which the services are consumed.

F. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements (deletions) during the year. Donated capital assets are recorded at their fair market values as of the date received. TCS' capitalization threshold is five hundred dollars.

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. Interest incurred during the construction of capital assets is also capitalized.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to capital assets are depreciated over the remaining useful lives. Buildings are depreciated over forty years.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Intergovernmental Revenues

TCS currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenue (foundation payments) in the accounting period in which it is earned and becomes measurable. Funding from these programs is listed as "State Aid" on the Statement of Revenues, Expenses, and Change in Fund Net Assets.

TCS also participates in the Public Charter School Program through the Ohio Department of Education. Under this program, the School was awarded \$350,000 to offset costs for the school. Revenue received under this program is recognized as non-operating revenue in the accompanying financial statements.

Grants are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which TCS must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to TCS on a reimbursement basis.

Resources where the timing requirement is not met are recorded as a liability to the funding source, and reported as a non-operating expense. Resources received prior to the period of use are deferred.

Amounts awarded under the above programs for the 2009 school year totaled \$1,487,029.

H. 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 balances of any borrowings 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 the enabling legislation adopted by TCS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. TCS does not have any restricted net assets at June 30, 2009, but the Statement of Net Assets reports \$134,829 in Invested in Capital Assets.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of TCS. Operating expenses are necessary costs incurred to provide the service that is the primary activity of TCS. For TCS, these revenues are primarily State Aid receipts. All revenues and expenses not meeting this definition are reported as non-operating.

J. Estimates

The preparation of the 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 the accompanying notes. Actual results may differ from those estimates.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

3. DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

Deposits: At June 30, 2009, the carrying value of TCS's deposits totaled \$245,521, and the bank balance totaled \$258,548, of which \$254,724 was covered by federal depository insurance and the remaining balance was secured by pooled collateral, based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009.

Custodial credit risk is the risk that, in the event of bank failure, TCS's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank 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 TCS.

4. INTERGOVERNMENTAL AND ACCOUNTS RECEIVABLE

At June 30, 2009, TCS had an intergovernmental receivable in the amount of \$3,200 for an EMIS payment due, but not received by year end. The intergovernmental receivable is collectable in the next operating cycle. Accounts receivable consists of net fees for billed expenses from TGS as of June 30, 2009. A net accounts receivable resulted in the amount of \$13,280.

5. ACCOUNTS PAYABLE

Accounts Payable consists of obligations at June 30, 2009 incurred during the normal course of conducting operations.

6. CAPITAL ASSETS

For the year ended June 30, 2009, TCS' capital assets consisted of the following:

Capital Assets Being Depreciated:	Balance			Balance
	<u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/09</u>
Computers & Equipment	\$ 60,842	\$ 45,751	\$ -	\$ 106,593
Textbooks	-	64,205	-	64,205
Total Capital Assets Being Depreciated	60,842	109,956	-	170,798
 Less Accumulated Depreciation:				
Computers & Equipment	(12,168)	(17,855)	-	(30,023)
Textbooks	-	(5,946)	-	(5,946)
Total Accumulated Depreciation	(12,168)	(23,801)	-	(35,969)
 Total Capital Assets Being Depreciated Net	 <u>\$ 48,674</u>	 <u>\$ 86,155</u>	 <u>\$ -</u>	 <u>\$ 134,829</u>

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

7. RISK MANAGEMENT

A. Insurance Coverage

TCS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2009, TCS contracted with the Hartford Casualty Insurance Company for the following insurance coverage:

Commercial General Liability per occurrence	\$1,000,000
Commercial General Liability aggregate	2,000,000
Umbrella Liability per occurrence (\$10,000 self-insured retention)	2,000,000

The amount of settlements did not exceed insurance coverage for fiscal year 2008 or 2009. There has not been a significant reduction in coverage from the prior year.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description - TCS contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. 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 contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the TCS is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care Fund.) of the System. For the fiscal year ending June 30, 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. TCS contributes to SERS for the year ended June 30, 2009, 2008 and 2007 were zero; all contributions were paid and reported under TGS.

B. State Teachers Retirement Systems (STRS)

Plan Description - TCS participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plans. 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.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems (STRS) (Continued)

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 TCS was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, 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.

TCS' required contributions for pension obligations to STRS for the fiscal years ended June 30, 2009 and 2008 were \$0; all employee contributions were paid and reported under the TGS.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2009, no employee has elected to participate in Social Security.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

9. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

In addition to a cost-sharing multiple-employer defined pension plan the School Employees Retirement System of Ohio (SERS) administers two post employment benefit plans.

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement for retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal 2009, the actuarial required allocation is .75 percent TCS contributes for the years ended June 30, 2009, 2008 and 2007 were zero. All contributions were paid and reported under the Graham School.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2009, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. TCS contributions assigned to health care for the years ended June 30, 2009, 2008 and 2007 were zero.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement System (Continued)

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Audit Resources

B. State Teachers Retirement System

Plan Description – The TCS 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.

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 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The TCS' contributions for health care for the fiscal years ended June 30 2009 and 2008 were 0. These amounts were paid by the Graham as part of both the Graham and Charles Schools' contribution to the Health Care Fund.

10. CONTINGENCIES

A. Grants

TCS receives financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of TCS at June 30, 2009.

TCS has recognized federal assistance received from a federal pass through in excess of qualifying expenditures, within the time requirement. This excess, \$55,955 is reported as an intergovernmental payable in the Statement of Net Assets. Final determination of this obligation will be conducted by the Ohio Department of Education, the pass-through.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

10. CONTINGENCIES (Continued)

B. Full-Time Equivalency Reviews

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by TCS. These reviews are conducted to ensure TCS is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has not been conducted for the 2008-2009 school year. However, any adjustments for FTE should not have a material effect on the accompanying financial statements presented.

11. OPERATING LEASES – LESSEE DISCLOSURE

A. Modern Office Equipment- Copier

TCS entered into an operating lease commencing February 2008 for a term of 60 months for a copier. The copier is owned by Modern Office Methods. The term will be extended automatically for successive 12 month term unless written notice is given 30 days prior to the end of any term.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2009.

<u>Fiscal Year</u>	<u>Copier</u>
2010	8,786
2011	8,786
2012	8,786
2013	<u>7,322</u>
Total	33,682

B. Educational Facility

TCS leases a building located at 1270 Brentnell Avenue from the Columbus City School District. The term of the lease is for a period of 120 months commencing on July 1, 2008 and ending June 30, 2018 for \$5,216 (\$62,592 annually). In the sixth year and thereafter, the annual lease payments adjust based upon the lesser of 13.5% or the annual CPI (consumer price index) increase.

12. SHORT-TERM DEBT – Charles E. Graham

At June 30, 2009, the following table represents TCS' short-term debt issuance:

	<u>Principal Outstanding 6/30/2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 6/30/2009</u>
Line of Credit	\$ 117,000	\$ -	\$ -	\$ 117,000

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

12. SHORT-TERM DEBT – Charles E. Graham

On November 13, 2006, TCS entered into an open-end promissory note with Charles E. Graham (payee) in the amount of \$150,000 to be repaid with an interest at a rate of 8 percent. The entire unpaid principal balance together with accrued interest shall be due and payable upon demand. On August 20, 2007, the Note was amended to increase the principal amount available to \$250,000. On May 5, 2009, the payee rescinded its contractual claim on any unpaid accrued interest and future interest on any outstanding balance for the term of the letter of credit. No interest payable is reported for the year ended June 30, 2009.

At June 30, 2009, TCS had an outstanding principal balance of \$117,000 that has been recorded as a line of credit payable.

13. RELATED PARTY TRANSACTION

As listed above, board member Charles E. Graham holds a line of credit for TCS. The terms and outstanding balances are listed above in Note 12. This transaction is in violation of TCS's sponsor agreement with the Educational Service Center of Central Ohio. In addition, Charles E. Graham is the cousin of Eileen Meers who serves as the superintendent and founder of TCS.

14. TAX EXEMPT STATUS

TCS was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect TCS' tax exempt status.

15. SPONSOR

TCS Board Resolution #47 extended its sponsorship agreement with Delaware-Union Educational Service Center (the Sponsor) for a twelve month period ending June 30, 2009. Under this agreement, TCS was to remit 1.5% of foundation receipts to the Sponsor. However, Board Resolution #53, adopted and approved on April 16, 2008 modified the fee amount from a fixed 1.5% of foundation receipts to "up to" 3%. TCS paid fees to the Sponsor totaling \$21,619 for the year ended June 30, 2009. Of this amount, \$6,308 was for fees owed as of June 30, 2008. At June 30, 2009, no sponsorship fees payable were recorded. The payments are reported in the Statement of Revenue, Expenses and Change in Fund Net Assets as part of Purchase Services- Professional Services.

On May 13, 2009, a sponsorship agreement was executed between TCS and the Educational Service Center of Central Ohio for a five (5) year period beginning July 1, 2009. The pre-existing contract with Delaware-Union Educational Service Center expired on June 30, 2009.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009
(Continued)**

16. MANAGEMENT AGREEMENT WITH THE GRAHAM SCHOOL

Effective July 1, 2007, TCS entered into a two year Management Agreement (the Agreement) with TGS. The Agreement's terms ran through June 30, 2009. Per the contract, TGS receives up to ninety-five (95) percent of TCS' federal and state awards, along with 100 percent of all private grants, after a minimum of five (5) percent is spent by TCS to pay its direct expenses. As previously stated in note 4, TGS owes TCS net fees for billed expenses in the amount of \$13,280. TCS management fee expense for the fiscal year totaled \$1,095,153, as reported in the Statement of Revenues, Expenses and Changes in Fund Net Asset. Of this fee, \$821,258 was for operating related fees and \$273,895 was for grant related reimbursements

TCS and TGS have common board members as of June 30, 2009.

17. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2009, TGS paid the following expenses on-behalf of the TCS:

Expenses	<u>2009</u>
Direct Expenses:	
Salaries & wages	\$ 577,321
Employees' benefits	89,149
Professional & technical services	117,256
Other supplies	1,092
Indirect Expenses:	
Overhead	<u>243,526</u>
Total Expenses	\$ 1,028,344

Management uses enterprise accounting to maintain its financial records during the fiscal year. Overhead charges are assigned to the TCS based on a percentage of full-time equivalent student enrollment. These charges represent the indirect cost of services provided in the operation of TCS. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

18. SUBSEQUENT EVENT

On July 8, 2009, the TCS Board approved the management contract with TGS to commence July 1, 2009 through January 31, 2010. This contract was subsequently modified on August 12, 2009.

19. MANAGEMENT'S PLAN

At June 30, 2009 TCS had ending net assets of \$12,638 with an operating loss of \$540,099. As of January 31, 2010, the School had a cash balance of \$140,680. The School has significant recurring operating losses and loans to cover operating activities. The School has consistently met or exceeded enrollment goals and continues to increase student enrollment. The School plans to increase student enrollment, continue to apply for private grants and use fundraising efforts to reduce outstanding loans and cover operating losses.

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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*

The Charles School at Ohio Dominican University
Franklin County
1270 Brentnell Ave
Columbus, Ohio 43219

To the Board:

We have audited the financial statements of The Charles School at Ohio Dominican University, Franklin County, Ohio (TCS) as of and for the year ended June 30, 2009, which collectively comprise TCS's basic financial statements and have issued our report thereon dated February 5, 2010, wherein we noted TCS is experiencing certain financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the TCS'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 TCS's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the TCS'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 TCS'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 TCS'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 School's internal control will not prevent or detect a material financial statement misstatement.

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 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 matters that we reported to TCS's management in a separate letter dated February 5, 2010.

Compliance and Other Matters

As part of reasonably assuring whether TCS'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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2009-001.

We also noted a certain instance of noncompliance or other matter not requiring inclusion in this report that we reported to TCS's management in a separate letter dated February 5, 2010.

TCS's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit TCS's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board, and the TCS's sponsor (the Educational Service Center of Central Ohio). We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 5, 2010

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2009**

Finding Number	2009-001
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Sponsorship Agreement – Noncompliance Finding

The Sponsorship agreement with the Educational Service Center of Central Ohio, Exhibit 3, states that none of the members of the board will have contracts with the school.

The Charles School entered into an open-end promissory note line of credit with Board Member, Charles Graham, for which \$117,000 of the \$250,000 limit was drawn on at June 30, 2009. This loan agreement between The Charles School and Charles Graham is prohibited as per the Sponsorship Agreement.

We recommend the Board approve and permit only contracts not involving the membership of the Board.

Officials' Response:

The school disagrees with the citation as written. There is a one line statement in the Sponsor contract that states "None of the members of the board will have contracts with the School." This sentence is the sole basis for the citation.

In the broad sense of the word "contract", the line of credit is an agreement with Mr. Graham who provided financial assistance to the school in its time of need. However, Mr. Graham has forgone any interest on the "loan". Thus, there is no economic incentive for the "loan". This "loan" (from a board member) was necessary due to the schools new formation. The school attempted to secure financing from area banks, but was declined. Mr. Graham was the only source of financing available.

Furthermore, the intent of this section of the contract is to prevent Board members from being employees or contractors with the school. This is to ensure compliance with Ohio Revised Code which prohibits such activities.

As such, it is ultimately up to the Sponsor to decide whether the "loan" is in breach of the Sponsor contract. No such communications have come from the Sponsor. Furthermore, the Sponsor signed a new 5 year agreement with the school knowing that said "loan" was in place prior to its execution. Also, there has not been any compliance citations from the Sponsor on this issue during the schools semi-annual reviews.

Auditor of State's Analysis:

The Sponsorship agreement of the School states that none of the members of the board will have contracts with the school.

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2008-001	Sponsorship Agreement due to a Board Member entering into a contract (Line of Credit) with the School	No	Reissued as Finding 2009-001



Mary Taylor, CPA

Auditor of State

Independent Accountant's Report on Applying Agreed-Upon Procedures

The Charles School at Ohio Dominican University
Franklin County
1270 Brentnell Avenue
Columbus, Ohio 43219

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or 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 school district or community school."

Accordingly, we have performed the procedures enumerated below, which were agreed to by to by the Board, solely to assist the Board in evaluating whether the Charles School at Ohio Dominican University (TCS) 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.

1. We noted the Board adopted an anti-harassment policy at its meeting on April 16, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B), unless otherwise noted:
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A procedure for reporting prohibited incidents;
 - (3) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (4) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (5) A procedure for responding to and investigating any reported incident;

- (6) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
3. However, the report did not include the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (2) A procedure for documenting any prohibited incident that is reported;
 - (3) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (3) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 the Board and is not intended to be and should not be used by anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 5, 2010



Mary Taylor, CPA
Auditor of State

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
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 25, 2010**