

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY, OHIO**

(AUDITED)

BASIC FINANCIAL STATEMENTS

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2013*

JESSE HEMPHILL, TREASURER



Dave Yost • Auditor of State

Board of Directors
World Collegiate Preparatory School
1465 Oakland Park Avenue
Columbus, Ohio 43224

We have reviewed the *Independent Auditor's Report* of the World Collegiate Preparatory School, Franklin County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The World Collegiate Preparatory School is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 21 2014

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**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

World Collegiate Preparatory School
Franklin County
1465 Oakland Park Avenue
Columbus, Ohio 43224

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the World Collegiate Preparatory School, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the World Collegiate Preparatory School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the World Collegiate Preparatory School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the World Collegiate Preparatory School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the World Collegiate Preparatory School, Franklin County, Ohio, as of June 30, 2013, and the changes in its financial position and its cash flows for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 16, the Board of Directors decided to discontinue its operations of the School effective July 1, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, on our consideration of the World Collegiate Preparatory School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the World Collegiate Preparatory School's internal control over financial reporting and compliance.



Julian & Grube, Inc.
January 24, 2014

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2013
(UNAUDITED)**

The discussion and analysis of World Collegiate Preparatory School's (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School'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 in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for the World Collegiate Preparatory School during the period ended June 30, 2013 are as follows:

- Total net position decreased \$119,967.
- Ending net position was \$23,905.
- Total assets decreased \$136,044 from the prior year.
- Total liabilities decreased by \$16,077 from the prior year.
- The School's operating loss was \$(523,675).

Using this Financial Report

This financial report contains the basic financial statements of the School, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows. As the School reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2013
(UNAUDITED)**

Statement of Net Position

The statement of net position answers the question, “How did we do financially during the fiscal year?” This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the 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.

This statement reports the School’s net position; however, in evaluating the overall position and financial viability of the School, non-financial information such as the condition of the School’s property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the School’s net position for June 30, 2013 compared to those reported for fiscal year 2012.

Table 1
Net Position

	2013	2012
Assets:		
Current Assets	\$ 51,993	\$ 65,925
Capital Assets, Net	0	122,122
Total Assets	51,993	188,037
Liabilities:		
Current liabilities	28,088	44,165
Total Liabilities	28,088	44,165
Net Position:		
Investment in Capital Assets	0	122,112
Restricted	33,375	38,893
Unrestricted	(9,470)	(17,133)
Total Net Position	\$ 23,905	\$ 143,872

The total assets of the School decreased by \$136,044, which represents a 72.3 percent decrease from total assets reported for fiscal year 2012. This is a result of sale of capital assets.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2013
(UNAUDITED)**

Total liabilities of the School decreased \$16,077 over those reported in fiscal year 2012.

The total net position reported for fiscal year 2013 decreased by \$119,967. Unrestricted net position increased by \$7,663. Restricted net position decreased by \$5,518.

Table 2 shows the changes in net position for the period ended June 30, 2013 as compared to changes reported for fiscal year 2012.

**Table 2
Change in Net Position**

	<u>2013</u>	<u>2012</u>
Operating Revenues:		
Foundation Payments	\$ 823,351	\$ 890,792
Non Operating Revenues:		
State & Federal Grant Revenue	485,299	626,679
Other Revenue	<u>45,800</u>	<u>18,017</u>
Total Revenues	<u>\$ 1,354,450</u>	<u>\$ 1,535,488</u>
Operating Expenses:		
Purchased Services	\$ 1,329,809	\$ 1,532,406
Materials and Supplies	4,910	11,483
Depreciation	12,307	12,307
Capital Outlay	-	762
Non Operating Expenses:		
Other Expenses	22,051	65,496
Loss on Sale of Capital Assets	<u>105,340</u>	<u>-</u>
Total Expenses	<u>\$ 1,474,417</u>	<u>\$ 1,622,454</u>
Change in Net Position	\$ (119,967)	\$ (86,966)
Net Position, Beginning of Year	<u>143,872</u>	<u>230,838</u>
Net Position, End of Year	<u>\$ 23,905</u>	<u>\$ 143,872</u>

Total revenue decreased \$181,038 compared with the prior fiscal year due to a decrease in student enrollment.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED JUNE 30, 2013
(UNAUDITED)**

Total expenses were \$148,037 less than the expenses reported for fiscal year 2012. This is due to the decrease in enrollment and the corresponding decrease in operation expenses.

Capital Assets

At June 30, 2013, the School did not have any capital assets. The capital asset were sold for \$4,465 which resulted in a loss on sale of \$105,340. See Note 5 of the basic financial statements for additional details.

Debt

At June 30, 2013, the School had no outstanding debt.

Budgetary

Unlike other public schools located in the State of Ohio, community schools are not required to follow the budgetary provisions set forth in the Ohio Review Code Chapter 5705 unless specifically provided in the School's contract with its Sponsor. The School does provide an annual budget in addition to five-year forecasts in October and May of each fiscal year according to its Sponsor agreement.

Currently Known Facts

Effective July 1, 2013, the School volunteered to discontinue its operations.

Contacting the School

This financial report is designed to provide a general overview of the finances of the World Collegiate Preparatory School and to show the School's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of World Collegiate Preparatory School, 1500 West Third Avenue, Suite 125, Columbus, Ohio 43212.

WORLD COLLEGIATE PREPARATORY SCHOOL
STATEMENT OF NET POSITION
AS OF JUNE 30, 2013

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 1,180
Intergovernmental Receivable	39,590
Accounts Receivable	<u>11,223</u>
Total Current Assets	<u>51,993</u>
Non-Current Assets	
Capital Assets - Net	<u>-</u>
TOTAL ASSETS	<u><u>51,993</u></u>

LIABILITIES

Current Liabilities	
Accounts Payable	<u>28,088</u>
Total Current Liabilities	<u>28,088</u>
TOTAL LIABILITIES	<u>28,088</u>

NET POSITION

Restricted	33,375
Unrestricted	<u>(9,470)</u>
TOTAL NET POSITION	<u><u>\$ 23,905</u></u>

See accompanying notes to the financial statements.

WORLD COLLEGIATE PREPARATORY SCHOOL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

OPERATING REVENUES

Foundation Payments	\$ 823,351
Total Operating Revenues	<u>823,351</u>

OPERATING EXPENSES

Purchased Services	1,329,809
Materials and Supplies	4,910
Depreciation Expense	<u>12,307</u>
Total Operating Expenses	<u>1,347,026</u>

Operating Loss	<u>(523,675)</u>
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NON-OPERATING REVENUE / (EXPENSES)

State Grant Revenue	12,387
Federal Grant Revenue	472,912
Other Revenue	45,800
Other Expenses	(22,051)
Loss on the Sale of Capital Assets	<u>(105,340)</u>
Total Non-Operating Revenues / (Expenses)	<u>403,708</u>

Change in Net Position	(119,967)
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Net Position, Beginning of Year	<u>143,872</u>
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Net Position, End of Year	<u>\$ 23,905</u>
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See accompanying notes to the financial statements.

**WORLD COLLEGIATE PREPARATORY SCHOOL
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

INCREASE (DECREASE) IN CASH

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$ 802,954
Cash Payments to Suppliers for Goods and Services	<u>(1,350,796)</u>
Net Cash Used in Operating Activities	<u>(547,842)</u>

Cash Flows from Noncapital Financing Activities

Cash Received From Federal and State Grants	483,377
Cash Received From Other Sources	39,042
Cash Payments to Other Sources	<u>(22,051)</u>
Net Cash Provided by Noncapital Financing Activities	<u>500,368</u>

Net Decrease In Cash (47,474)

Cash, Beginning of Year 48,654

Cash, End of Year \$ 1,180

Reconciliation of Operating Loss Net Cash Used in Operating Activities

Operating Loss \$ (523,675)

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

Depreciation Expense 12,307

Changes in Assets and Liabilities:

Increase in Intergovernmental Receivable (20,397)

Decrease in Accounts Payable (10,485)

Decrease in Intergovernmental Payable (5,592)

Total Adjustments (24,167)

Net Cash Used in Operating Activities \$ (547,842)

Supplemental Disclosure of NonCash Capital and Related Financing Activities:

The Academy sold its capital assets for \$4,465 which is recorded as a receivable on the Statement of Net Position.

See accompanying notes to the financial statements.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

1. Description of the School and Reporting Entity
--

World Collegiate Preparatory School (the School), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School, which is part of the State's education program, is independent of any school district and is non-sectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School was approved for operation under a contract with the St. Aloysius Orphanage during the fiscal year ended June 30, 2007, and renews annually every June 30th unless cancelled by either party with 90 days' notice.

The School is required to operate under the direction of a Governing Board consisting of at least five members. 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.

On May 28, 2007, the School and Educational Solutions Co. entered into a full-performance management contract. Under this contract, Educational Solutions Co. is obligated to manage and operate the School. Educational Solutions Co. is an Ohio non-profit corporation that was established and is operated for educational purposes to support Ohio community schools. It was granted federal tax exemption under IRS Section 501(c)(3), and it is classified as a public charity under IRS Section 509(a)(3), a supporting organization. In addition to the School, Educational Solutions Co. currently supports three other Ohio community schools. Each of its supported schools are members of Educational Solutions Co., as such term is defined by Ohio Revised Code Chapter 1702. As members of Educational Solutions Co., the schools, under Educational Solutions Co.'s Code of Regulations, elect a majority of the Board of Directors of Educational Solutions Co. As a result of this relationship, Educational Solutions Co. is "operated, supervised, or controlled by" its supported schools, as such term is defined by Regs. Section 1.509(a)-4(g), and Educational Solutions Co. is a Type I supporting organization. As a result of this relationship, Educational Solutions Co. is responsive to the needs and demands of its supported schools and is an integral part of their operations.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

2. Summary of Significant Accounting Policies
--

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net position. The difference between total assets and liabilities are defined as net position. The statement of revenues, expenses and changes in net position present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

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 utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when 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 Rev. Code Section 5705, unless specifically provided in the Schools contract with its Sponsor. The contract between the School and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

2. Summary of Significant Accounting Policies (Continued)
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D. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. At June 30, 2013, the School reported no deferred outflows of resources.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. At June 30, 2013, the School had no items which were classified as deferred inflows of resources.

E. Cash

All monies received by the School are maintained in a demand deposit account. Cash is defined as demand deposits, savings, and investments with original maturity less than 90 days.

F. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School does not possess any infrastructure. The School maintains a capitalization threshold of \$1,000. Improvements are capitalized. The cost 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.

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the remaining useful life of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Life</u>
Buildings	40 years
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	15 years

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

2. Summary of Significant Accounting Policies (Continued)
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G. Estimates

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

H. Intergovernmental Revenues

The School is a participant in the State Foundation Program. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program totaled \$823,351 and revenues associated with specific education grants from the state and federal governments totaled \$485,299 during fiscal year 2013.

I. Federal Tax Exemption Status

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code.

J. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the School's primary mission. For the School, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the School's primary mission, including purchased services, materials and supplies and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the School's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the School by other instructional entities for use of the School's instructional staff comprise the non-operating revenues of the School. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

2. Summary of Significant Accounting Policies (Continued)
--

K. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding capital related debt. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net position of the School at year-end represent unspent federal and state grant resources for specific instructional program. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

L. Economic Dependency

The School receives 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the School is considered to be economically dependent on the State of Ohio Department of Education.

M. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2013 are reported as accrued liabilities in the accompanying financial statements. Accrued liabilities totaled \$28,088 at June 30, 2013.

3. Change in Accounting Principles

For fiscal year 2013, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements," Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," Statement No. 65, "Items Previously Reported as Assets and Liabilities," and Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

3. Change in Accounting Principles (Continued)

GASB Statement No. 63 provides financial and reporting guidance for deferred outflows of resources and deferred inflows of resources which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The implementation of GASB Statement No. 63 has changed the presentation of the School's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows or resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses) or inflows of resources (revenues). These changes were incorporated in the School's fiscal year 2013 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of this statement did not result in any change in the School's financial statements.

4. Deposits

At June 30, 2013, the carrying amount of the School's deposits was \$1,180 and the bank balance was \$57,626. Based on the criteria in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, the School's bank balance was covered by the Federal Deposit Insurance Corporation.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

5. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Balance 7/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>
Capital Assets:				
Buildings	\$ 98,934	\$ 0	\$(98,934)	\$ 0
Furniture and Equipment	97,886	0	(97,886)	0
Leasehold	<u>134,088</u>	<u>0</u>	<u>(134,088)</u>	<u>0</u>
 Total Assets	 <u>\$330,908</u>	 <u>\$ 0</u>	 <u>\$(330,908)</u>	 <u>\$ 0</u>
 Depreciation:				
Buildings	\$ (24,467)	\$ (2,473)	\$ 26,940	\$ 0
Furniture and Equipment	(95,201)	(895)	96,096	0
Leasehold	<u>(89,128)</u>	<u>(8,939)</u>	<u>98,067</u>	<u>0</u>
 Accumulated Depreciation	 <u>(208,796)</u>	 <u>\$(12,307)</u>	 <u>\$221,103</u>	 <u>0</u>
Net Capital Assets	<u><u>\$122,112</u></u>			<u><u>\$0</u></u>

The capital assets were sold for \$4,465 which resulted in a loss on sale of \$105,340.

6. Intergovernmental Receivables

All intergovernmental receivables are considered collectible in full due to the stable condition of State programs. Intergovernmental receivables totaled \$39,590 at June 30, 2013.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

7. Defined Benefit Pension Plans

A. School Employees Retirement System

Plan Description

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under **Employers/Audit Resources**.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, 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 Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$15,557, \$22,132, and \$21,209, respectively; which were equal to the required contributions each year and are paid and reported by the Management Co. (Note 13).

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS website at www.strsoh.org.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

7. Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

The DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the formula benefit the retirement allowance is based on years of credited service and final average salary, which is the average of the members’ three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5% with an additional one-tenth of a percent added to the calculation for every year over 31 years until 100% of the final average salary is reached. For members with 35 or more years of Ohio contributing services, the first 30 years will be calculated at 2.5%. Under the money-purchase benefit, members’ lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

7. Defined Benefit Pension Plans (Continued)

The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. Benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the member's account balance.

Combined Plan offers features of the DC Plan and the DB Plan. Member contributions are allocated to investments selected by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Plan members' defined benefit is determined by multiplying 1% of the members' final average salary by the members' years of service credit. The defined benefit portion of the Combined Plan is payable to members on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

For fiscal year ended June 30, 2013, members were required to contribute 10% of their annual covered salary and the Academy was required to contribute 14%. Member and employer contributions were established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers provided by Chapter 3307 of the Ohio Revised Code.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$59,703, \$41,334 and \$29,178, respectively; which were equal to the required contributions for each year and are paid and reported by the Management Co. (Note 13).

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

8. Post-Employment Benefits

A. School Employee Retirement System

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

Medicare Part B Plan

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit 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 B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to 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 year 2013, the actuarially required allocation is .74%. The Academy contributions for the years ended June 30, 2013, 2012 and 2011 were \$879, \$1,307, and \$1,365, respectively, which were equal to the required contributions for each year and are paid and reported by the Management Co. (Note 13).

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 HMOs, PPOs, 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. Active members do not make contributions to the postemployment benefit plans.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

8. Post-Employment Benefits (Continued)

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is .16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statues provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum 4 compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$2,825, \$3,622, and \$5,136, respectively; which were equal to the required contributions for each year and are paid and reported by the Management Co. (Note 13).

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

The financial reports of SERS' Health Care and Medicaid B plans are included in its Comprehensive Annual Financial Report. This report can be obtained on SERS Website at www.ohsers.org under Employer/Audit Resources.

B. State Teachers Retirement System

Plan Description

Academy 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 partial 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.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

8. Post-Employment Benefits (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 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$4,593, \$3,180, and \$2,244, respectively; which were equal to the required contributions for each year and are paid and reported by the Management Co. (Note 13).

9. Risk Management

A. Property and Liability

The Management Co. assumed all property and liability risk (Note 12).

B. Workers' Compensation

The Management Co. pays the State Worker's Compensation System a premium for employee injury coverage (Note 12).

10. Restricted Net Position

At June 30, 2013, the School reported restricted net position totaling \$33,275. The nature of the net position restrictions are as follows:

State specific program grants	\$ 40
Federal specific program grants	<u>33,335</u>
Total	<u><u>\$33,375</u></u>

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

11. Purchased Services

During the fiscal year ended June 30, 2013, purchased service expenses for services rendered by various vendors were as follows:

Professional and Technical Services	\$ 1,014,610
Meeting / Travel	5,168
Contracted Services (Food)	<u>310,031</u>
Total Purchased Services	<u>\$1,329,809</u>

12. Management Agreement

On May 28, 2007, the School and Educational Solutions Co. entered into a full-performance management contract. Under this contract, Educational Solutions Co. is obligated to manage and operate the School. Educational Solutions Co. is an Ohio non-profit corporation that was established and is operated for educational purposes to support Ohio community schools. It was granted federal tax exemption under IRS Section 501(c)(3), and it is classified as a public charity under IRS Section 509(a)(3), a supporting organization. In addition to the School, Educational Solutions Co. currently supports three other Ohio community schools. Each of its supported schools are members of Educational Solutions Co., as such term is defined by Ohio Revised Cod Chapter 1702. As members of Educational Solutions Co., the schools, under Educational Solutions Co.'s Code of Regulations, elect a majority of the Board of Directors of Educational Solutions Co. As a result of this relationship, Educational Solutions Co. is "operated, supervised, or controlled by" its supported schools, as such term is defined by Regs. Section 1.509(a)-4(g), and Educational Solutions Co. is a Type I supporting organization. As a result of this relationship, Educational Solutions Co. is responsive to the needs and demands of its supported schools and is an integral part of their operations. Additionally Educational Solutions Co. will assume the obligations of the School under the existing contract

The School is a party to a fiscal services agreement with Hemphill & Associates, which is a certified public accounting company. The Agreement's term is for a twelve month period beginning July 1, 2010, and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

13. Management Company Expenses

For the year ended June 30, 2013 Educational Solutions Co. incurred the following expenses on behalf of the School:

Direct Expenses:	
Salaries & wages	\$268,511
Professional & technical services	29,175
Property services	51,843
Communications	2,331
Utilities	24,403
Supplies	2,268
Other direct costs	1,000
Indirect Expenses:	
Overhead	<u>268,314</u>
Total Expenses	<u>\$647,845</u>

Educational Solutions charges expenses benefiting more than one school (i.e., overhead) pro rata based on the percentage of FTE students per school in relation to all the schools that Educational Solutions manages.

14. Contingencies

A. Grants

The School received financial assistance from Federal and State agencies in the form of grants. The expenditure 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. However, the effect of any such disallowed claims on the overall financial position of the School at June 30, 2013, if applicable, cannot be determined at this time.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. The fiscal year 2013 review has not been completed as of the date of this report.

**WORLD COLLEGIATE PREPARATORY SCHOOL
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2013**

15. Contingent Liability

The general note from National City Bank is a line of credit issued on January 21, 2004, with an amount up to \$75,000. The terms of the note have no maturity date defined, but the note is due on demand. The interest rate on this line of credit is variable, based on 1% over the prime interest rate.

This liability was transferred from the School to Educational Solutions Co. (Management Co.) effective July 1, 2007 and would revert back to the School if the Management Co. defaulted on payment. The School had contingent liability of \$35,290 at June 30, 2013.

16. Subsequent Events

Effective 7/1/2013, the School volunteered to discontinue its operation. As a result of the School's closure, the contingent liability reverted back to the School.



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

World Collegiate Preparatory School
Franklin County
1465 Oakland Park Avenue
Columbus, Ohio 43224

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the World Collegiate Preparatory School, Franklin County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the World Collegiate Preparatory School's basic financial statements and have issued our report thereon dated January 24, 2014, wherein we noted on July 1, 2013 the School discontinued its operations, as discussed in Note 16.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the World Collegiate Preparatory School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the World Collegiate Preparatory School's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the World Collegiate Preparatory School's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Directors
World Collegiate Preparatory School

Compliance and Other Matters

As part of reasonably assuring whether the World Collegiate Preparatory School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the World Collegiate Preparatory School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the World Collegiate Preparatory School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
January 24, 2014



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Accountants' Report on Applying Agreed-Upon Procedure

World Collegiate Preparatory School
Franklin County
1465 Oakland Park Avenue
Columbus, Ohio 43224

To the Board of Directors:

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 procedure enumerated below, which was agreed to by the Board solely to assist the Board in evaluating whether the World Collegiate Preparatory School has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on May 24, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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 the World Collegiate Preparatory School's Sponsor and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.
January 24, 2014

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Dave Yost • Auditor of State

WORLD COLLEGIATE PREPARATORY SCHOOL

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 8, 2014**