YOUNG SCHOLARS PREP SCHOOL
FRANKLIN COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2015
Fiscal Year Audited Under GAGAS: 2015

Dave Yost • Auditor of State

Board of Directors
Young Scholars Prep School
1553 N. Cleveland Avenue
Columbus, Ohio 43211

We have reviewed the *Independent Auditor's Report* of the Young Scholars Prep School, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2014 through June 30, 2015. 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 Young Scholars Prep School is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

August 1, 2016

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YOUNG SCHOLARS PREP SCHOOL
FRANKLIN COUNTY
YEAR ENDED JUNE 30, 2015

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Independent Auditor's Report

Young Scholars Prep School
Franklin County
1553 N. Cleveland Avenue
Columbus, Ohio 43211

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Young Scholars Prep School, Franklin County, Ohio, (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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 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 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 Young Scholars Prep School, Franklin County, Ohio, as of June 30, 2015, and the changes in its financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the year ended June 30, 2015, the School adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,* Statement No. 69, *Government Combinations and Disposals of Government Operation,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We did not modify our opinion regarding this matter.

As discussed in Note 14 to the financial statements, the School ceased operations on June 30, 2015.

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* and schedules of net pension liabilities and pension contributions 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 December 23, 2015, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 School's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 23, 2015

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015
(UNAUDITED)**

The discussion and analysis of the Young Scholars Prep School (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (the MD&A) is an element of the new 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. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A. However, because this is the first fiscal year of financial reporting for the School comparative prior fiscal year information does not exist. Subsequent reports will include the comparative information.

FINANCIAL HIGHLIGHTS

Key Financial Highlights for the School for the 2014-15 school year are as follows:

- Total assets increased $103,289.
- Total liabilities decreased $723,655.
- Total net position was $0.
- Total operating and non-operating revenues were $680,133. Total operating expenses were $652,082.
- Special item of $767,974 represents the impact related to the closing of the School is presented. Any cash balances remaining after the collection of all receivables and the payment of all liabilities will be returned to the Ohio Department of Education (ODE). ODE will then distribute this balance among the public school districts that had students enrolled in the School. This payment to ODE, any expenditure after the School's closure, and the gain on GASB 68 write-off is included in the special item.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position reflect how the School did financially during fiscal year 2015. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These statements report the School's Net Position and change in that position. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2015. This statement includes all assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resource 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 provides a summary of the School's Net Position for fiscal year 2015. This is the School's first year of operation. Therefore, comparative information is not available.

Table 1
Statement of Net Position

	2015	2014*
Assets		
Current Assets	$ 169,935	$ 43,157
Capital Assets, Net of Accumulated Depreciation	0	23,489
Total Assets	169,935	66,646
Deferred Outflows of Resources	0	30,919
Liabilities		
Current Liabilities	169,935	251,058
Noncurrent Liabilities	0	642,532
Total Liabilities	169,935	893,590
Net Position		
Investment in Capital Assets	0	23,489
Unrestricted	0	(819,514)
Total Net Position	$ 0	$ (796,025)

*As restated

During fiscal year 2015, the School adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from ($184,412) to a balance of ($796,025).

Over time, Net Position can serve as a useful indicator of a government's financial position. At June 30, 2015, the School's net position totaled $0.

Current assets represent cash and cash equivalents, accounts receivable and other assets. Current liabilities represent accounts payable, accrued expenses, withholdings payable, accrued wages and benefits, and advances payable at fiscal year-end. Noncurrent liabilities represent the net pension liability.

Statement of Revenues, Expenses and Change in Net Position

Table 2 shows the change in Net Position for fiscal year 2015, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. 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 Position

	2015	2014
Operating Revenue		
State Aid	$ 537,535	$ 470,389
Other	3,645	3,342
Total Operating Revenues	541,180	473,731
Operating Expenses		
Salaries	257,879	258,068
Fringe Benefits	47,107	61,599
Purchased Services	317,566	336,048
Materials and Supplies	13,533	25,197
Depreciation	8,488	21,089
Other	7,509	9,777
Total Operating Expenses	652,082	711,778
Operating (Loss)	(110,902)	(238,047)
Non-Operating Revenues		
Federal & State Grants	138,953	117,031
Total Non-Operating Revenues	138,953	117,031
Special Item	767,974	0
Increase (Decrease) in Net Position	$ 796,025	$ (121,016)

The special item reported was the result of the implementation of GASB 69 due to the School's closure (see Notes to the Financial Statements, Note 14)

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of $30,919 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of $24,920.

Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	$652,082
Pension expense under GASB 68	(24,920)
2015 contractually required contributions	37,710
Adjusted 2015 program expenses	664,872
Total 2014 program expenses under GASB 27	711,778
Decrease in program expenses not related to pension	($46,906)

BUDGETING HIGHLIGHTS

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 Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided in the community school's contract with its Sponsor.

The contract between the School and its Sponsor does prescribe a budgetary process. The School must prepare and submit a detail budget for every fiscal year to the Board of Directors and its Sponsor. The five-year forecast is also submitted to the Ohio Department of Education, annually.

CAPITAL ASSETS

At fiscal year end, the School's net capital asset balance was $0. This balance represents no current year additions of offset by current year depreciation of $8,488 and a donation of assets of $15,001. For more information on capital assets, see Note 4 of the Basic Financial Statements.

CURRENT FINANCIAL ISSUES

The School is a community School and is funded through the State of Ohio Foundation Program. The School relies on this, as well as, State and Federal funds as its primary source of revenue. In 2015, the State raised the base per pupil funding to $5,800, which is up from $5,745 in the previous year. Additionally, community schools in Ohio will be allocated a small amount of facilities funding which is also per pupil based. This amount is projected to be approximately $92 per pupil.

As disclosed in Note 14, the School ceased operations effective June 30, 2015.

The full-time equivalent enrollment of the School for the year ended June 30, 2015 was 70.07 compared to a figure of 67.00 at the end of fiscal year 2014.

In June 2015, the school board and the management company agreed that the school be closed and all operations cease as of June 30, 2015.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the School's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional information contact C. David Massa, CPA, of Massa Financial Solutions, LLC, 1533 Cleveland Avenue, Columbus, Ohio 43211 or e-mail at dave@massasolutionsllc.com.

YOUNG SCHOLARS PREP SCHOOL
FRANKLIN COUNTY

Statement of Net Position
At June 30, 2015

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 784
Closing Accrual	169,151
Total Current Assets	169,935
Total Assets	169,935
Deferred Outflows of Resources	
Pension	0
Liabilities	
Current Liabilities:	
Accounts Payable	165,482
Withholdings Payable	830
Accrued Expenses	3,623
Total Current Liabilities	169,935
Noncurrent Liabilities:	
Net Pension Liability	0
Total Noncurrent Liabilities	0
Total Liabilities	169,935
Deferred Inflows of Resources	
Pension	0
Net Position	
Unrestricted	0
Total Net Position	$ 0

See accompanying notes to the basic financial statements

YOUNG SCHOLARS PREP SCHOOL
FRANKLIN COUNTY

Statement of Revenues,
Expenses and Changes in Net Position
For the Year Ending June 30, 2015

Operating Revenues	
State Aid	$ 537,535
Other	3,645
Total Operating Revenues	541,180
Operating Expenses	
Salaries	257,879
Fringe Benefits	47,107
Purchased Services	317,566
Materials and Supplies	13,533
Other	7,509
Depreciation	8,488
Total Operating Expenses	652,082
Operating (Loss)	(110,902)
Non-Operating Revenues	
Federal Grants	138,953
Total Non-Operating Revenues	138,953
Income (Loss) Before Special Item	28,051
Special Item	767,974
Change in Net Position	796,025
Net Position, Beginning of Year	(796,025)
Net Position, End of Year	$ 0

See accompanying notes to the basic financial statements

YOUNG SCHOLARS PREP SCHOOL
FRANKLIN COUNTY

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015

Cash Flows from Operating Activities	
Cash Received from State of Ohio	$ 562,372
Cash Received from Other Operating Sources	3,645
Cash Payments to Suppliers for Goods and Services	(354,105)
Cash Payments to Employees for Services	(291,550)
Cash Payments for Employee Benefits	(74,841)
Net Cash (Used for) Operating Activities	(154,479)
Cash Flows from Non-capital Financing Activities	
Cash Received from Federal Grants	138,953
Net Cash Provided by Non-capital Financing Activities	138,953
Net Decrease in Cash and Cash Equivalents	(15,526)
Cash and Cash Equivalents, Beginning of Year	16,310
Cash and Cash Equivalents, End of Year	$ 784

(Continued)

YOUNG SCHOLARS PREP SCHOOL
FRANKLIN COUNTY

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2015
(Continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH (USED FOR) OPERATING ACTIVITIES

Operating Loss	$ (110,902)
Depreciation	8,488
Donation of Capital Assets	15,001
Changes in Assets and Liabilities:	
(Increase)/ Decrease in Intergovernmental Receivable	24,837
(Increase)/ Decrease in Other Assets	2,010
Increase/ (Decrease) in Accrued Wages and Benefits	(33,671)
Increase/ (Decrease) in Accounts Payable	(3,123)
Increase/ (Decrease) in Withholdings Payable	(1,474)
Increase/ (Decrease) in Advances Payable	(29,385)
Increase/ (Decrease) in Accrued Expenses	(13,470)
(Increase)/ Decrease in Deferred Outflows	(11,984)
Increase/ (Decrease) in Deferred Inflows	102,324
Increase/ (Decrease) in Net Pension Liability	(103,130)
Net Cash (Used for) Operating Activities	$ (154,479)

Noncash Transactions

Donation of Capital Assets	$15,001

See accompanying notes to the basic financial statements

1. DESCRIPTION OF THE ENTITY

The Young Scholars Prep School, (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career and life. The School operates on a foundation, which fosters character building for all students, parents and staff members. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations.

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

The School was approved for operation under a contract with Buckeye Community Hope Foundation ("BCHF") (the Sponsor) for a five year period commencing on July 1, 2012. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The School operates under the direction of a Board of Directors (the Board). The Board is responsible for carrying out the provisions of the contract which include, but are not limited to, state mandated provisions regarding student populations, curriculum, academic goals, performance standards, admissions standards, and qualifications of teachers. The Board controls the School's instructional and administrative staff.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School 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. The more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenue, Expenses and Changes in Net Position, and a Statement of Cash Flows. Enterprise fund reporting focuses on the determination of the changes in Net Position, financial position and cash flows.

Auditor of State of Ohio Bulletin No. 2000-005 requires the presentation of all financial activity to be reported within one enterprise fund for year-ending reporting purposes. Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprise where the intent is that the cost (expense) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by measurement focus. Under this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Change in Net Position presents increases (e.g. revenues) and decreases (e.g. expenses) in net position. The Statement of Cash Flows provides information about how the School finances and meets the cash flow needs of its enterprise activities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The full accrual basis of accounting is used for reporting purposes. 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 Revised Code Chapter 5705 (with the exception section 5705.391 – Five Year Forecasts), unless specifically provided for in the School's sponsorship agreement. The contract between the School and its Sponsor requires a detailed budget for each year of the contract.

D. Cash and Cash Equivalents

Cash received by the School is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The School did not have any investments during the period ended June 30, 2015.

E. Estimates

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

F. Capital Assets and Depreciation

Capital assets are capitalized at cost. The costs of additions are capitalized and expenditures for repairs and maintenance are expensed when incurred. When property is sold or retired, the related costs and accumulated depreciation are removed from the financial records and any gain or loss is included in additions to or deductions from Net Position. Depreciation of capital assets is calculated utilizing the straight-line method over the estimated useful lives of the assets which are as follows:

Asset Class	Useful Life
Computers & Technology Assets	3 years
Furniture, Fixtures, & Equipment	5 years
Textbooks	3 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School's policy for asset capitalization threshold is $5,000. Assets or certain asset groups not meeting the capitalization threshold are not capitalized and are not included in the assets represented in the accompanying Statement of Net Position.

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

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

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

The School also participates in various federal programs passed through the Ohio Department of Education.

Under the above programs the School recorded $537,535 this fiscal year from the Foundation Program and $138,953 from Federal grants and other intergovernmental sources.

H. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore the School does not accrue vacation time as a liability.

Sick/personal leave benefits are earned by full-time employees at the rate of ten days per year and cannot be carried into the subsequent years. No accrual for sick time is made since unused time is not paid to employees upon employment termination.

I. Accrued Liabilities

Obligations incurred but unpaid at June 30 are reported as accrued liabilities in the accompanying financial statements. These liabilities consisted of accounts payable, withholdings payable, and accrued expenses totaling $169,935 at June 30, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Non exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School must provide local resources to be used for a specified purpose, and expenditures requirements, in which the resources are provided to the School on a reimbursement basis.

K. Net Position

Net Position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted Net Position is available.

L. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities of the School. For the School, these revenues are primarily the State Foundation program. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. All revenues and expenses not meeting this definition are reported as non-operating. There were no non-operating expenses reported at June 30, 2015.

M. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School, deferred outflows of resources have been reported for the following two items related the School's net pension liability: (1) the difference between expected and actual experience of the pension systems, and (2) the School's contributions to the pension systems subsequent to the measurement date.

In addition to liabilities, the Statement of Net Position will 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 that time. For the School, deferred inflows of resources include the net difference between projected and actual earnings on pension plan investments related to the School's net pension liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

O. Extraordinary and Special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School or the Sponsor and that are either unusual in nature or infrequent in occurrence. For the year ended June 30, 2015, the School is reporting a special item representing costs directly related to the closing of the School. See Note 14 for details.

4. CASH AND CASH EQUIVALENTS

The following information classifies deposits by category of risk as defined in GASB Statement No.3 “Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,” as amended by GASB Statement No.40, “Deposit, and Investment Risk Disclosures”.

The School maintains its cash balances at one financial institution, PNC Bank, located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, per qualifying account. At June 30, 2015, the book amount of the School’s deposits was $784 and the bank balance was $14,316.

The School had no deposit policy for custodial risk beyond the requirement of state statute. Ohio law requires that deposits either be insured or be protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment or by a collateral pool of eligible securities deposited with a qualified trustee to secure repayment of all public monies deposited in the financial institution whose market value shall be at least 105% of deposits being secured. At June 30, 2015, none of the bank balance was exposed to custodial credit risk.

5. CAPITAL ASSETS

For the period ending June 30, 2015, the School's capital assets consisted of the following:

	Balance 06/30/14	Additions	Deletions	Balance 06/30/15
Capital Assets:				
Computers & Technology Assets	$ 53,840	$ -	$ (12,601)	$ 41,239
Furniture, Fixtures, & Equipment	6,000	-	(2,400)	3,600
Textbooks	5,827	-	-	5,827
Total Capital Assets	65,667	-	(15,001)	50,666
Less Accumulated Depreciation:				
Computers & Technology Assets	(35,894)	(5,345)	-	(41,239)
Furniture, Fixtures, & Equipment	(2,400)	(1,200)	-	(3,600)
Textbooks	(3,884)	(1,943)	-	(5,827)
Total Accumulated Depreciation	(42,178)	(8,488)	-	(50,666)
Capital Assets, Net	$ 23,489	$ (8,488)	$ (15,001)	$ 0

5. RISK MANAGEMENT

A. Property & Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year ending June 30, 2015, the School contracted with First Insurance Company for nonprofits and maintained general liability insurance with a $1,000,000 single occurrence limit and $2,000,000 annual aggregate and a combined policy aggregate coverage for various liability coverage in the amount of $2,000,000.

B. Workers' Compensation

The School pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

C. Employee Medical and Dental Benefits

The School provides medical, vision, and dental insurance benefits through Anthem to all full-time employees. During the School year, the School paid 90% of the monthly premiums for all employees.

6. DEFINED BENEFIT PENSIONS PLANS

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School's obligation for this liability to annually required payments. The School cannot control benefit terms or the manner in which pensions are financed; however, the School does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in pension obligation payable on both the accrual and modified accrual bases of accounting.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

The School's contractually required contribution to STRS was $37,710 for fiscal year 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	STRS
Proportionate Share of the Net Pension Liability	$539,402
Proportion of the Net Pension Liability	0.00221762%
Pension Expense	$24,920

At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	STRS
Differences between expected and actual experience	$5,193
The School contributions subsequent to the measurement date	37,710
Total Deferred Outflows of Resources	$42,903
Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	99,791
Difference between School contributions and proportionate share of contributions	2,533
Total Deferred Inflows of Resources	$102,324

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$37,710 reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

Fiscal Year Ending June 30:	STRS
2016	($24,283)
2017	(24,283)
2018	(24,283)
2019	(24,282)
Total	($97,131)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Assets	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

6. DEFINED BENEFIT PENSIONS PLANS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Decrease (8.75%)
School's proportionate share of the net pension liability	$772,213	$539,402	$342,522

7. POST EMPLOYMENT BENEFITS

A. State Teachers Retirement System (STRS Ohio)

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School's contributions for health care for the fiscal years ended June 30, 2015 and 2014 were $0 and $1,619 respectively; 100 percent has been contributed for fiscal year 2015.

8. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

B. Litigation

There are currently no matters in litigation with the School as defendant.

C. Full-Time Equivalency

The Ohio Department of Education (ODE) conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated.

9. SPONSOR AND MANAGEMENT CONTRACTS

Sponsor

The School contracted with Buckeye Community Hope Foundation (BCHF) as its sponsor and oversight services as required by law. Sponsorship fees are calculated as a three percent of state funds received by the School from the State of Ohio. For the fiscal year ended June 30, 2015, the total sponsorship fees paid were $16,081.

Management Company

The School entered into an agreement with Wall2Wall Education, LLC, a local nonprofit management company, to provide legal, financial, and other management support services for fiscal year 2015. The agreement was for a period of five years beginning July 1, 2013. Management fees are calculated as 12.5% of the total revenues received from the State of Ohio. The total amount due from the School for the fiscal year ending June 30, 2015 was $59,048 and is included under "Purchased Services" on the Statement of Revenues, Expenses and Changes in Net Position.

10. PURCHASED SERVICES

Purchase service expenses during fiscal year 2015 were as follows:

Professional Fees	$ 137,294
Property Services	121,768
Advertising and Communications	4,171
Contracted Food Services	54,333
	$ 317,566

11. LONG-TERM OBLIGATIONS

The School's long-term obligations during the year consist of the following:

	Restated Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due in One Year
Net Pension Liability	$642,532	$0	$642,532	$0	$0
Total	$642,532	$0	$642,532	$0	$0

12. LEASE OBLIGATIONS

On July 1, 2012, the School entered into a lease with Carpe Diem Leasing, LLC for 11,000 square feet of space located at 1533 Cleveland Avenue in Columbus, Ohio. The term of the lease is for a period of two years. Base rent expense for the fiscal year ended 2015 was $110,000.

13. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the School has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*", Statement No. 69, "*Government Combinations and Disposals of Government Operations*", and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*".

GASB Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

GASB Statement No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in the statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The implementation of this statement did not result in any change in net position as previously stated but is incorporated in the accompanying financial statement as it relates to the closing of the School.

GASB Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The implementation of these pronouncements had the following effect on net position as reported June 30, 2014:

Net Position as Previously Reported	($184,412)
Deferred Outflow-Payments Subsequent to Measurement Date	30,919
Net Pension Liability	(642,532)
Restated Net Position at July 1, 2014	($796,025)

13. CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET POSITION (Continued)

Other than employer contributions subsequent to the measurement date, the School made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

14. SPECIAL ITEM - SCHOOL CLOSURE

The School officially closed on June 30, 2015 based on a resolution passed by the Board of Education. The School has followed the closing procedures prescribed by ODE. These procedures include, among others, official notification to ODE, retirement systems, the students and the community, disposition of assets, and the preparation of financial statements.

The School disposed of its assets as of year-end, and any remaining cash after the School's final expenses and payables have been paid will be returned to ODE as required by ORC 3313.074 and the bank accounts will be closed. As of the date of the report, the School had a cash balance of $182.

The School is reporting a special item representing costs directly related to the closure. This amount includes the remaining cash balances which will be returned to the Ohio Department of Education (ODE) after the collection of all receivables and the payment of all liabilities according to ODE closing procedures. ODE will allocate the remaining balance among all public schools with students enrolled in the School. This amount is included in the intergovernmental payable on the Statement of Net Position. Also, due to the closure, unspent State and Federal grant money will be returned to the grantor. Capital assets no longer being used were sold, donated or disposed of in accordance with the community school closure process set by ODE. A summary of principal items included as a special item on the Statement of Revenues, Expenses and Changes in Net Position follows:

	Amounts
Gain on GASB 68 write-off – closure	598,823
Closing accrual	169,151
Total special item	$767,974

YOUNG SCHOLARS PREP SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TWO FISCAL YEARS

	2014	**2013**
Academy's proportion of the net pension liability	0.00221762%	0.00221762%
Academy's proportionate share of the net pension liability	$ 539,402	$ 642,532
Academy's covered-employee payroll	$ 174,369	$ 82,977
Academy's proportionate share of the net pension liability as a percentage of its covered-employee payroll	309.34%	774.35%
Plan fiduciary net position as a percentage Note: Fiscal year 2013 was the School's first y	74.70%	69.30%

Note: Information prior to fiscal year 2013 was unavailable.

YOUNG SCHOLARS PREP SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF SCHOOL CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	2015	2014	2013
Contractually required contribution	$ 37,710	$ 22,668	$ 10,787
Contributions in relation to the contractually required contribution	(37,710)	(22,668)	(10,787)
Contribution deficiency (excess)	$ -	$ -	$ -
Academy's covered-employee payroll	$ 269,357	$ 174,369	$ 82,977
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%

Note: Fiscal year 2013 was the School's first year of operations.

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

Young Scholars Prep School
Franklin County
1553 N. Cleveland Avenue
Columbus, Ohio 43211

To the Board:

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 Young Scholars Prep School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 23, 2015, wherein we noted the School adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, Statement No. 69, *Government Combinations and Disposals of Government Operation,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. We also noted the School ceased operations effective June 30, 2015.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the 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 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 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.

Compliance and Other Matters

As part of reasonably assuring whether the 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 School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
December 23, 2015

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Dave Yost • Auditor of State

YOUNG SCHOLARS PREP 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
AUGUST 11, 2016