

The Charles School at Ohio
Dominican University
Franklin County, Ohio

Basic Financial Statements

For the Fiscal Year Ended
June 30, 2018

OHIO AUDITOR OF STATE KEITH FABER



Board of Directors
The Charles School at Ohio Dominican University
1270 Brentnell Avenue
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of The Charles School at Ohio Dominican University, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2017 through June 30, 2018. 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 Charles School at Ohio Dominican University is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 23, 2019

This page intentionally left blank.

THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
Franklin County, Ohio
Table of Contents

	<i>Page</i>
Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	7
Statement of Revenues, Expenses and Changes in Fund Net Position.....	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19

This page intentional left blank

February 26, 2019

To the Board of Directors
The Charles School at Ohio Dominican University
Franklin County, Ohio
1270 Brentnell Avenue
Columbus, OH 43219

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of The Charles School at Ohio Dominican University, Franklin County, Ohio (the School), as of and for the year ended June 30, 2018, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's 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.

Rea & Associates, Inc.

Dublin, Ohio

The Charles School at Ohio Dominican University

Franklin County, Ohio

*Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2018*

Our discussion and analysis of The Charles School at Ohio Dominican University (TCS) financial performance provides an overall review of TCS' financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at TCS' 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 TCS' financial performance.

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

FINANCIAL HIGHLIGHTS

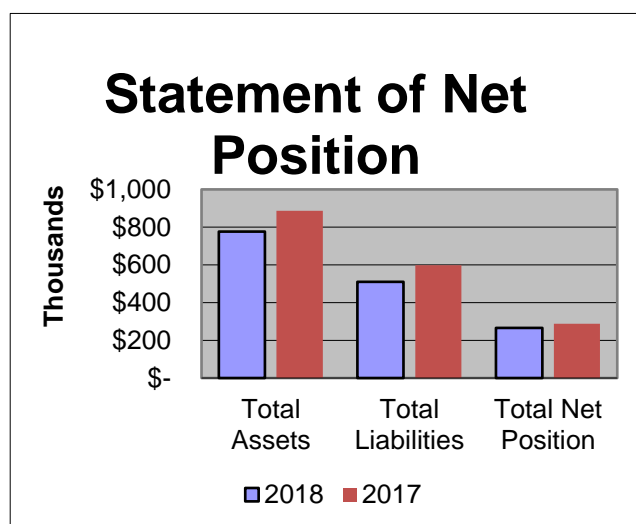
Key financial highlights for fiscal year 2018 are as follows:

- In total, net position decreased \$22,402 which represents a 7.8 percent decrease from 2017. This decrease is due to decreases in revenues relative to expenses.
- Total assets decreased \$109,930 which represents a 12.4 percent decrease from 2017. This was primarily due to decreases in cash from operations.
- Liabilities decreased \$87,528 which represents a 14.6 percent decrease from 2017. The decrease in liabilities is mainly attributable to decreases in accounts payable and making principal payments on notes payable during the fiscal year.

USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how TCS did financially during fiscal year 2018. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.



The Charles School at Ohio Dominican University
Franklin County, Ohio

Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2018

These statements report TCS' net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of TCS has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include TCS' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors. TCS uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how TCS did financially during 2018. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1, below, is a summary of TCS' Net Position for fiscal year 2018 and 2017.

(Table 1)
Statement of Net Position

	2018	2017
Assets		
Current Assets	\$ 215,440	\$ 303,766
Non-Current Assets	560,564	582,168
Total Assets	776,004	885,934
Liabilities		
Current Liabilities	47,657	116,079
Non-Current Liabilities	462,350	481,456
Total Liabilities	510,007	597,535
Net Position		
Net Investment in Capital Assets	83,831	86,752
Unrestricted	182,166	201,647
Total Net Position	\$ 265,997	\$ 288,399

Total assets were \$776,004, a decrease of 12.4% from the prior year due to depreciation on capital assets coupled by decrease in cash from timing of invoices paid near fiscal year end and less revenue for fiscal year 2018. Total liabilities decreased by 14.6% to \$510,007 as a result of principal payments made on long term debt and a decrease in accounts payable from timing of invoices paid before fiscal year end. Cash and cash equivalents were \$161,656 and capital assets, at net, were \$560,564. Intergovernmental receivables, a current asset, totaled \$34,695.

Statement of Revenues, Expenses and Change in Net Position

Table 2 below demonstrates the changes in net position for fiscal year 2018 and 2017, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for TCS as a whole, the financial position of TCS has improved or diminished. The cause of this may be the result

The Charles School at Ohio Dominican University

Franklin County, Ohio

*Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2018*

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

	2018	2017
Operating Revenues		
State Aid	\$2,604,815	\$2,688,428
Casino Aid	17,887	18,591
Facilities Funding	67,921	71,972
Food Service	2,841	3,018
Classroom Fees	8,552	11,188
Other Operating	28,783	14,771
Non-Operating Revenue		
Grants	629,346	538,898
Investment Income	26	14
Contributions & Donations	8,921	66,417
Total Revenues	<u>3,369,092</u>	<u>\$3,413,297</u>
Operating Expenses		
Purchased Services: Management Fees	2,502,109	2,329,871
Purchased Services: Rent and Property Services	165,637	210,465
Purchased Services: Professional Services	137,796	134,138
Purchased Services: Food Services	89,886	86,724
Purchased Services: Professional Development	85,275	63,331
Purchased Services: Tuition Payments to University	139,799	175,478
Purchased Services: Other	84,344	99,375
Materials and Supplies	135,364	154,331
Depreciation	23,103	31,130
Other	13,527	76,261
Non-Operating Expenses		
Interest and Fiscal Charges	14,654	8,210
Total Expenses	<u>3,391,494</u>	<u>3,369,314</u>
Change in Net Position	<u>\$ (22,402)</u>	<u>\$ 43,983</u>

Operating revenues were \$2,730,799, which represents 81% of total revenue. Total Revenues decreased 1.3% from the prior year due to a decrease in enrollment, which resulted in decreased State Aid received. Operating expenses were \$3,376,840, which represents 99% of total expenses. TCS' most significant expense Purchased Services: Management Fees represents 74% of total expenses. The total comprises primarily management fees paid to The Graham School (TGS). The agreement between TCS and TGS provides for TCS to remit a specific percentage of certain revenues received to TGS to finance operations. Note 10 in the notes to the basic financial statements outlines this agreement.

**The Charles School at Ohio Dominican University
Franklin County, Ohio**

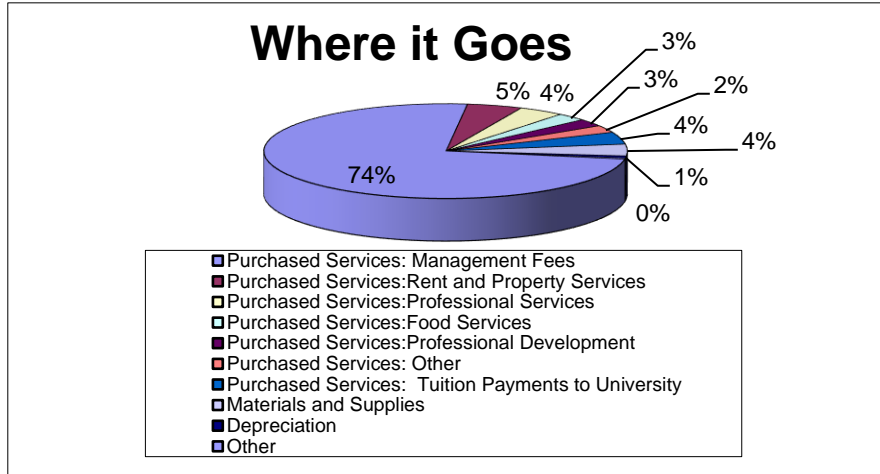
*Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2018*

CAPITAL ASSETS

At the end of fiscal year 2018, TCS had \$560,564 invested in capital assets, net of depreciation. For more information on capital assets, see Note 6 in the notes to the basic financial statements.

DEBT

At June 30, 2018, TCS had combined short and long term debt in the amount of \$476,733. This is due to the acquisition of a building in a prior year. See Note 12.



OTHER INFORMATION

For the Future

In conclusion, TCS has committed itself to financial excellence. TCS acquired, from Columbus City School District, land and a building located at 1270 Brentnell Avenue on April 1, 2017 in the amount of \$555,000. This building is expected to ensure that TCS can meet its enrollment projections and give students a positive learning environment.

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

CONTACTING THE CHARLES SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of The Charles School's finances and to show its accountability for the money received. If you have questions about this report or need additional information contact Ms. Jennifer Smith of The Charles School at Ohio Dominican University, 1270 Brentnell Avenue, Columbus, Ohio 43214 or e-mail at jsmith.1@mail.thegrahamschool.org.

The Charles School at Ohio Dominican University
Franklin County, Ohio
Statement of Net Position
June 30, 2018

Assets

Current Asset

Cash and Cash Equivalents	\$ 161,656
Accounts Receivable	19,089
Intergovernmental Receivable	<u>34,695</u>
 Total Current Assets	 <u>215,440</u>

Non-Current Assets

Depreciable Capital Assets, net	448,964
Non-Depreciable Capital Assets	<u>111,600</u>
 Total Non-Current Assets	 <u>560,564</u>
 Total Assets	 <u>776,004</u>

Liabilities

Current Liabilities

Accounts Payable	32,385
Intergovernmental Payable	889
Notes Payable	<u>14,383</u>
 Total Current Liabilities	 <u>47,657</u>

Non-Current Liabilities

Notes Payable	<u>462,350</u>
 Total Liabilities	 <u>510,007</u>

Net Position

Net Investment in Capital Assets	83,831
Unrestricted	<u>182,166</u>
 Total Net Position	 <u><u>\$ 265,997</u></u>

See accompanying notes to the basic financial statements.

The Charles School at Ohio Dominican University
Franklin County, Ohio
Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2018

Operating Revenues	
State Aid	\$ 2,604,815
Casino Aid	17,887
Facilities Funding	67,921
Food Service	2,841
Classroom Fees	8,552
Other Operating	<u>28,783</u>
Total Operating Revenues	<u>2,730,799</u>
Operating Expenses	
Purchased Services: Management Fees	2,502,109
Purchased Services: Rent and Property Services	165,637
Purchased Services: Professional Services	137,796
Purchased Services: Food Services	89,886
Purchased Services: Professional Development	85,275
Purchased Services: Tuition Payments to University	139,799
Purchased Services: Other	84,344
Materials and Supplies	135,364
Depreciation	23,103
Other	<u>13,527</u>
Total Operating Expenses	<u>3,376,840</u>
Operating Loss	(646,041)
Non-Operating Revenues (Expenses)	
Grants	629,346
Investment Income	26
Interest and Fiscal Charges	(14,654)
Contributions & Donations	<u>8,921</u>
Total Non-Operating Revenues (Expenses)	<u>623,639</u>
Change in Net Position	(22,402)
Net Position Beginning of Year	<u>288,399</u>
Net Position End of Year	<u><u>\$ 265,997</u></u>

See accompanying notes to the basic financial statements.

The Charles School at Ohio Dominican University
Franklin County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2018

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from State of Ohio	\$ 2,715,481
Cash Received from Other Operating Sources	40,175
Cash Payments to Suppliers for Goods and Services	(3,423,630)
Other Cash Payments	<u>(13,527)</u>
Net Cash Used for Operating Activities	<u>(681,501)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Grants	632,435
Cash Received from Contributions and Donations	<u>8,921</u>
Net Cash Provided by Noncapital Financing Activities	<u>641,356</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Payments for Capital Assets Acquisitions	(1,499)
Cash Payments for Interest and Fiscal Charges	(14,654)
Cash Principal Payments for Notes Payable	<u>(18,683)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(34,836)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>26</u>
-----------------	-----------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (74,955)

CASH AND CASH EQUIVALENTS BEGINNING OF YEAR 236,611

CASH AND CASH EQUIVALENTS END OF YEAR \$ 161,656

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

Operating Loss \$ (646,041)

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

Depreciation	23,103
Changes in Assets and Liabilities:	
Accounts Receivable	(19,089)
Intergovernmental Receivable	29,371
Accounts Payable	(65,222)
Intergovernmental Payable	<u>(3,623)</u>
Net Cash Used for Operating Activities	<u><u>\$ (681,501)</u></u>

See accompanying notes to the basic financial statements.

The Charles School at Ohio Dominican University
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

1. DESCRIPTION OF THE REPORTING ENTITY

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

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

On January 1, 2009, the Sponsor merged with the Franklin County Service Center. The surviving organization, the Educational Service Center of Central Ohio, acknowledges its obligations under the existing contract between the Sponsor and TCS, and expects to honor provisions contained therein, as documented in the Memorandum of Understanding dated January 3, 2009. On May 13, 2009, a sponsorship agreement was executed between TCS and the Educational Service Center of Central Ohio for a five (5) year period beginning July 1, 2009. The school has subsequently renewed for an additional two (2) year period extensions now ending June 30, 2019.

TCS operates under the direction of a five-member governing board. The governing board is responsible for carrying out the provisions of the contract, which include but are not limited to, state mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

TCS contracts with The Graham School (TGS) for most of its day-to-day activities (see Note 10).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of TCS have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following are the more significant of TCS' accounting policies.

The Charles School at Ohio Dominican University
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

A. Basis of Presentation

TCS's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. TCS uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources and all liabilities and deferred inflows of resources are included on the Statement of Net Position. The operating statement presents increases and decreases 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 used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

C. Budgetary Process

Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

D. Cash and Cash Equivalents

All cash received by TCS is deposited in accounts in TCS's name and reflected as Cash and Cash Equivalents on the Statement of Net Position. TCS did not have any investments during fiscal year 2018.

E. Prepaid Items

TCS records payments made to vendors for services that will benefit future periods as prepaid items using the consumption method. No prepaid items were recorded at June 30, 2018. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is recorded in the year in which the services are consumed.

The Charles School at Ohio Dominican University

Franklin County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

F. Capital Assets and Depreciation

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements (deletions) during the year. Donated capital assets are recorded at their acquisition value as of the date received. TCS' capitalization threshold is one thousand dollars.

Buildings and improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not. Interest incurred during the construction of capital assets is also capitalized.

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

G. Intergovernmental Revenues

TCS currently participates in the State Foundation Program, Casino Aid, and Facilities Funding. Revenue received from this program is recognized as operating revenue (Foundation payments) in the accounting period in which it is earned and becomes measurable. Funding from this program is listed as "Operating Revenues" on the Statement of Revenues, Expenses, and Changes in Net Position.

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

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

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

H. Net Position

Net position represents the difference between assets and liabilities. Invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by TCS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. TCS does not have any net position at June 30, 2018, restricted for enabling legislation.

The Charles School at Ohio Dominican University

Franklin County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

I. Operating Revenues and Expenses

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

J. Estimates

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

K. Change in Accounting Principles

For the fiscal year ended June 30, 2018, TCS has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial reporting for Postemployment Benefits other than Pensions, GASB Statement No. 81, Irrevocable Split-Interest Agreements, GASB Statement No. 85, Omnibus 2017 and GASB Statement No. 86, Certain Debt Extinguishments.

GASB Statement No. 75 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. The implementation of GASB Statement No. 75 did not have an effect on the financial statements of TCS.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of TCS.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of TCS.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of TCS.

**The Charles School at Ohio Dominican University
Franklin County, Ohio**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018*

3. DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

Deposits: The carrying value of TCS's deposits are \$161,656, and the bank balance totaled \$212,397, all of which was covered by federal depository insurance, based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2018.

Protection of the TCS's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

4. INTERGOVERNMENTAL RECEIVABLE

At June 30, 2018, TCS had an intergovernmental receivable in the amount of \$34,695 including \$33,396 federal grants due, but not received by fiscal year end and \$1,299 for FTE adjustments due from ODE. The intergovernmental receivable is collectible in the next operating cycle.

5. ACCOUNTS PAYABLE

Accounts Payable consists of obligations at June 30, 2018 incurred during the normal course of conducting operations.

This space intentionally left blank

The Charles School at Ohio Dominican University
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

6. CAPITAL ASSETS

For the year ended June 30, 2018, TCS' capital assets consisted of the following:

	Balance 6/30/2017	Additions	Disposals	Balance 6/30/2018
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 111,600	\$ 0	\$ 0	\$ 111,600
<i>Capital Assets Being Depreciated</i>				
Buildings	443,400	0	0	443,400
Computers & Equipment	304,459	1,499	0	305,958
Textbooks	64,205	0	0	64,205
<i>Total Capital Assets Being Depreciated</i>	<u>812,064</u>	<u>1,499</u>	<u>0</u>	<u>813,563</u>
<i>Accumulated Depreciation</i>				
Buildings	(18,912)	(11,369)	0	(30,281)
Computers & Equipment	(258,379)	(11,734)	0	(270,113)
Textbooks	(64,205)	0	0	(64,205)
<i>Total Accumulated Depreciation</i>	<u>(341,496)</u>	<u>(23,103)</u>	<u>0</u>	<u>(364,599)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>470,568</u>	<u>(21,604)</u>	<u>0</u>	<u>448,964</u>
Capital Assets, Net	<u>\$ 582,168</u>	<u>\$ (21,604)</u>	<u>\$ 0</u>	<u>\$ 560,564</u>

7. RISK MANAGEMENT

Insurance Coverage

TCS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2018, TCS contracted with the Philadelphia Insurance Company for the following insurance coverage:

Commercial General Liability per Occurrence	\$ 1,000,000
Commercial General Liability Aggregate	2,000,000
Umbrella Liability per Occurrence (\$10,000 self-insured retention)	6,000,000

The amount of settlements did not exceed insurance coverage for any of the past three years. There has not been a significant reduction in coverage from the prior year.

The Charles School at Ohio Dominican University

Franklin County, Ohio

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2018

8. CONTINGENCIES

A. Grants

TCS 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of TCS at June 30, 2018, if applicable, cannot be determined at this time.

B. State Funding

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE did not perform such a review on TCS for fiscal year 2018.

As of the date of this report, all ODE adjustments for fiscal year 2018 have been finalized. As a result, the impact of future FTE adjustments on the fiscal year 2018 financial statements have been determined and reflected on the face of the financials as a receivable in the amount of \$1,299.

In addition, TCS contracts with their Sponsor and Management Company that requires payment based on revenues received from the State. These items have also been recorded on the financial statements for 2018.

C. Loan Guarantor

The Graham Elementary and Middle School (formerly known as Graham Expeditionary Middle School) entered into a loan with Huntington Bank for the purchase of a school building and land. The total amount of the loan was \$1,080,000 with an annual interest rate of 4.55% to be paid over a 10-year period, with a balloon payment scheduled in year ten. TCS acts as a guarantor on this loan in addition to The Graham School.

9. SPONSOR

TCS extended its sponsorship agreement with Delaware-Union Educational Service Center (the Sponsor) for a twelve-month period ending June 30, 2009. Under this agreement, TCS was to remit 2.5% of Foundation receipts to the Sponsor. However, the Board and Sponsor adopted and approved on April 16, 2008, a modified the fee amount from a fixed 1.5% of foundation receipts to "up to" 3%. On May 13, 2009, a sponsorship agreement was executed between TCS and the Educational Service Center of Central Ohio for a five (5) year period beginning July 1, 2009. The pre-existing contract

The Charles School at Ohio Dominican University
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

with Delaware-Union Educational Service Center expired on June 30, 2009. On July 1, 2014, the agreement was extended another three years through June 30, 2017, which was subsequently renewed for an additional 2-year period ending June 30, 2019.

TCS paid fees to the Sponsor amounting to \$80,206, or approximately 3% of Foundation, for the year ended June 30, 2018. The payments are reported in the Statement of Revenue, Expenses, and Change in Net Position as part of Purchased Services- Professional Services.

10. MANAGEMENT AGREEMENT WITH THE GRAHAM SCHOOL

Effective July 1, 2007, TCS entered into a two year Management Agreement (the Agreement) with TGS. The Agreement's term ran through June 30, 2009 and was subsequently renewed on July 8, 2009 and modified on August 12, 2009 to cover the periods ending January 31, 2010 and December 31, 2010 respectively. On July 21, 2010, the TCS Board approved a modified agreement with TGS to commence July 1, 2010 through December 31, 2012, which further defined the roles of TGS and TCS in the agreement. In December 2012, the board approved to contract to continue to June 30, 2014. Since June of 2014, the board has approved one year renewals annually. Per the contract, TGS receives a base fee of three (3) percent up of TCS' state foundation, and reimbursement of all direct costs for expenses incurred under the Federal Title program. TGS also receives up to ninety-five (95) percent of TCS' federal and state awards, after a minimum of five (5) percent is spent by TCS to pay its direct expenses. TCS management fee expense for the fiscal year total \$2,502,109, as reported in the Statement of Revenues, Expenses and Changes in Net Position. Of this fee, \$1,943,141 was for general fund related fees and \$478,040 was for grant related reimbursements. The remainder of the expense was for base licensing fees in the amount of \$80,928.

11. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2018, TGS paid the following expenses on-behalf of TCS:

Expenses	
Direct Expenses:	
Salaries & Wages	
Regular Instruction	\$ 1,048,980
Special Instruction	88,839
Support Services	445,434
Employees' Benefits	
Regular Instruction	162,067
Special Instruction	13,726
Support Services	68,609
Indirect Expenses:	
Overhead	
Support Services	440,674
Total Expenses	<u>\$ 2,268,329</u>

The Charles School at Ohio Dominican University
Franklin County, Ohio

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

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

12. DEBT OBLIGATIONS

At June 30, 2018, the following table represents TCS debt issuances:

	Principal Outstanding 6/30/2017	Additions	Deductions	Principal Outstanding 6/30/2018	Amount Due in One Year
Notes Payable	\$ 495,416	\$ 0	\$ (18,683)	\$ 476,733	\$ 14,383

Fiscal Year Ending June 30,	Principal	Interest
2019	\$ 14,383	\$ 14,230
2020	19,686	13,650
2021	20,283	13,053
2022	422,381	12,438
Total	\$ 476,733	\$ 53,371

In March 2017, TCS entered into a promissory note with The Columbus Foundation in the amount of \$500,000 to be repaid with interest at a rate of 3% with a maturity date of March 31, 2022. The purpose of the note was to acquire the building TCS currently occupies. At June 30, 2018, the principal balance was \$476,733. In March 2022, TCS will have a balloon payment of principal and interest in the amount of \$434,819. According to the loan agreement, TCS is required to file audited financial statements within 180 days after the close of the fiscal year end. TCS was granted a waiver of this covenant for fiscal year 2018.

February 26, 2019

To the Board of Directors
The Charles School at Ohio Dominican University
Franklin County, Ohio
1270 Brentnell Avenue
Columbus, OH 43219

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Charles School at Ohio Dominican University, Franklin County, Ohio (the School) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated February 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Dublin, Ohio

OHIO AUDITOR OF STATE KEITH FABER



THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 9, 2019**