

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

Board of Trustees
Youthbuild Columbus Community School
7215 Sawmill Road, Suite 50
Dublin, OH 43016

We have reviewed the *Independent Accountants' Report* of the Youthbuild Columbus Community School, Franklin County, prepared by Hemphill & Associates, for the audit period July 1, 2005 to June 30, 2006. 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 Youthbuild Columbus Community School is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 14, 2007

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**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

YouthBuild Columbus Community School
Franklin County
7215 Sawmill Road, Suite #050
Dublin, Ohio 43016

To the Board of Trustees:

We have audited the accompanying basic financial statements of YouthBuild Columbus Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2006 as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of YouthBuild Columbus Community School, Franklin County, Ohio, as of June 30, 2006, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**INDEPENDENT ACCOUNTANTS' REPORT
(CONTINUED)**

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Columbus, Ohio
May 28, 2007

Hemphill & Associates



**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

Management's discussion and analysis of YouthBuild Columbus Community School (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2006. Readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- Total net assets decreased \$113,069.
- Current liabilities increased \$3,504, while current assets decreased \$99,698.
- Total revenue decreased from \$637,767 in fiscal year 2005 to \$500,377 in fiscal year 2006.
- Total expenses decreased from \$698,341 in fiscal year 2005 to \$613,446 in fiscal year 2006.
- The School has \$655,050 in long term liabilities as of June 30, 2006.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements. The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Net Assets reflect how the School did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

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

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

Table 1 provides a summary of the School's net assets as of June 30, 2006 compared to the prior year.

Table 1
Net Assets

	2006	2005
<u>Assets:</u>		
Cash and Other Current Assets	\$ 25,292	\$ 124,990
Capital Assets, Net	1,045,661	1,066,679
Total Assets	1,070,953	1,191,669
 <u>Liabilities:</u>		
Current Liabilities	147,094	143,590
Long Term Liabilities	655,050	666,201
Total Liabilities	802,144	809,791
 <u>Net Assets:</u>		
Invested in Capital Assets, Net	367,645	376,798
Unrestricted	(98,836)	5,080
Total Net Assets	\$ 268,809	\$ 381,878

Current assets decreased in 2006 due to decreased revenues from foundation, federal grants, and private contributions. Net capital assets decreased as a result of depreciation.

Liabilities decreased by \$7,647 and net assets decreased by \$113,069 in 2006. These reductions are the result of the significant decrease in revenue caused by the drop in student enrollment.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

Table 2 shows change in Net Assets for fiscal year 2006 compared with fiscal year 2005.

Table 2
Changes in Net Assets

	<u>2006</u>	<u>2005</u>
<u>Operating Revenues</u>		
Foundation	\$ 317,362	\$ 515,089
Other Operating Revenue	7,000	5,778
<u>Non-Operating Revenues</u>		
Grants	34,486	78,119
Other Non-Operating	<u>141,529</u>	<u>38,781</u>
Total Revenues	500,377	637,767
 <u>Operating Expenses</u>		
Salaries	292,859	317,655
Fringe Benefits	94,371	90,032
Purchased Services	86,453	151,116
Materials and Supplies	16,597	15,858
Depreciation	36,293	36,563
Other Operating Expenses	46,595	45,180
<u>Non-Operating Expenses</u>		
Interest & Fees related to Debt	<u>40,278</u>	<u>41,937</u>
Total Expenses	<u>613,446</u>	<u>698,341</u>
 Total (Decrease) in Net Assets	 <u><u>\$ (113,069)</u></u>	 <u><u>\$ (60,574)</u></u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation and grant revenues made up 70% of all revenues for the School in fiscal year 2006. Other operating revenues increased due to the increase in private contributions.

The primary reason for the decrease in overall revenues from 2005 was the decrease in students from 71 in fiscal year 2005 to 42 in fiscal year 2006. The School decreased spending on purchased services. (See Notes to the Basic Financial Statements, Note 9.) However, salaries and benefits continue to be the most significant line item.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

Budgeting Highlights

Community schools must adopt a spending plan under Ohio Revised Code. Section 5705.391 requires annual appropriations and annual revenues estimates. The contract between the School and its sponsor requires the school to comply with the financial plan that details an estimated budget for each year of the contract.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School had \$1,045,661 in net capital assets. The most significant capital asset at June 30, 2006 was the school building.

Debt

At June 30, 2006, the School had \$678,016 in outstanding scheduled debt. This amount consists of a \$150,000 note payable to Columbus Compact Corporation and outstanding balances on a mortgage and a short-term note payable for \$505,210 and \$22,806, respectively, to Chase Bank (formerly BankOne).

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase.

Contacting the School's Financial Management

This financial report is designed to provide all citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, CFO, YouthBuild Columbus Community School, 1183 Essex Avenue Columbus, Ohio 43215.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2006**

Assets

Current Assets:

Cash	\$ 79
Prepays	8,966
Intergovernmental Receivable	<u>16,247</u>
 Total Current Assets	 <u>25,292</u>

Noncurrent Assets:

Capital Assets:

Depreciable Capital Assets (Net)	<u>1,045,661</u>
 Total Noncurrent Assets	 <u>1,045,661</u>
 Total Assets	 <u>1,070,953</u>

Liabilities

Current Liabilities:

Accounts Payable	44,885
Accrued Wages and Benefits	39,524
Intergovernmental Payable	10,432
Interest Payable	1,368
Line of Credit	19,359
Notes Payable, current portion	<u>31,526</u>
 Total Current Liabilities	 147,094

Long-Term Liabilities:

Notes Payable	646,490
Loans Payable	7,500
Compensated Absences Payable	<u>1,060</u>
 Total Long-Term Liabilities	 <u>655,050</u>

Total Liabilities	<u>802,144</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	367,645
Unrestricted	<u>(98,836)</u>

Total Net Assets	<u>\$ 268,809</u>
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See accompanying notes to the basic financial statements

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

<u>Operating Revenues</u>	
Foundation	\$317,362
Miscellaneous	<u>7,000</u>
Total Operating Revenues	<u>324,362</u>
<u>Operating Expenses</u>	
Salaries	292,859
Fringe Benefits	94,371
Purchased Services	86,453
Materials and Supplies	16,597
Depreciation	36,293
Other	<u>46,595</u>
Total Operating Expenses	<u>573,168</u>
Operating Income (Loss)	<u>(248,806)</u>
<u>Non-Operating Revenues (Expenses)</u>	
Rental Income	36,000
Interest on Notes Payable	(40,278)
Other Non-Operating	105,529
Federal/State Grants	<u>34,486</u>
Total Non-Operating Revenues (Expenses)	<u>135,737</u>
Change in Net Assets	(113,069)
Net Assets Beginning of Year	<u>381,878</u>
Net Assets End of Year	<u><u>\$268,809</u></u>

See accompanying notes to the basic financial statements

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State	\$ 314,089
Cash Received from Other Sources	7,000
Cash Payments to Employees for Services	(290,269)
Cash Payments for Employee Benefits	(92,247)
Cash Payments for Goods and Services	(92,570)
Cash Payments for Other Operating Expenses	<u>(36,900)</u>

Net Cash Used in Operating Activities (190,897)

Cash Flows from Noncapital Financing Activities

Grants Received	69,227
Rental Income	36,000
Cash from Other Non-Operating Revenue	105,529
Cash Payment for Other Non-Operating Expenses	<u>(34,741)</u>

Net Cash Provided by Noncapital Financing Activities 176,015

Cash Flows from Capital and Related Financing Activities

Interest Paid - Notes Payable	(40,278)
Acquisition of Capital Assets	(15,275)
Proceeds from Loans Payable	22,806
Proceeds from Line of Credit	19,359
Principal Payments-Notes Payable	<u>(27,171)</u>

Net Cash Used in Financing Activities (40,559)

Net Increase (Decrease) in Cash and Cash Equivalents (55,441)

Cash and Cash Equivalents Beginning of Year 55,520

Cash and Cash Equivalents End of Year \$ 79

See accompanying notes to the basic financial statements

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(CONTINUED)**

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

Operating Loss	\$ (248,806)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used in Operating Activities:**

Depreciation	36,293
Decrease In Accounts Receivable	6,000
Decrease In Intergovernmental Receivables	31,477
Decrease In Prepaids	6,780
(Decrease) In Accounts Payable	(9,137)
Increase In Accrued Wages and Benefits	7,879
(Decrease) In Intergovernmental Payables	(18,631)
(Decrease) In Interest Payables	(74)
(Decrease) In Compensated Absences	<u>(2,678)</u>

Net Cash Used in Operating Activities	<u><u>\$(190,897)</u></u>
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See accompanying notes to the basic financial statements

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

1. DESCRIPTION OF THE ENTITY

YouthBuild Columbus Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The School's objectives are to carry out the academic training component of the YouthBuild Columbus program, to advance underserved youth through education, job training, personal development, leadership development, and community service. The YouthBuild Columbus program helps dropouts from traditional high schools in a year-round program that enables students to gain employable skills by building and rehabilitating houses in Columbus' Empowerment Zone that are sold to low-income families. 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 and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School. The School was approved for operation on June 14, 2001, under a contract by and between the Ohio Department of Education (ODE), as Sponsor, and the Governing Authority of YouthBuild Columbus Community School. The School commenced official operation on July 1, 2001.

The five-member 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. The Board controls the School's principal, one full-time, non-certified staff, and five certified full time teaching personnel who provide services to approximately 42 students during the school year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation

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

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

B. Measurement Focus/Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of the School are included on the Statement of Net Assets.

The Statement of Revenues, Expenses, and Changes in Net Assets present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

"Basis of accounting" refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is used for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives equal value, is recorded on the accrual basis when the exchange takes place. Revenue resulting from non-exchange transactions, in which the School receives value without directly giving equal value in return, such as grants, entitlements and donations, are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. Budgetary Process

Community schools must adopt a spending plan under Ohio Revised Code. Section 5705.391 requires annual appropriations and annual revenues estimates. The contract between the School and its sponsor requires the school to comply with the financial plan that details an estimated budget for each year of the contract.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash

All cash received by the School is deposited in accounts in the School's name. The School did not have any investments during fiscal year 2006.

E. Capital Assets and Depreciation

Capital assets and improvements are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The School maintains a capitalization threshold of seven hundred fifty dollars for computers and one thousand dollars for all other assets. The School does not possess any infrastructure.

The School does not capitalize interest. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized; improvements, however, are capitalized. Building, vehicles, furniture, and equipment are depreciated using the straight-line method over the assets' estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related capital assets.

The following is the estimated useful lives for property, vehicles, furniture, and equipment:

<u>Asset</u>	<u>Useful Life</u>
Building	45 years
Vehicles	2 years
Furniture and Equipment	1 - 10 years

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program and the Poverty-Based Assistance (PBA) Program. Revenues received from these programs 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 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 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.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School participates in the Comprehensive Continuous Improvement Planning Program (CCIP) through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenue. Amounts awarded under the above programs for the 2006 school year totaled \$29,011.

G. Compensated Absences

Leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered. Unused personal leave is paid out at 100% of the employee's current pay rate at the end of the school year. Sick leave must be used during the school year, is non-accumulative, and is not paid out at the end of the school year. Permanent, year-round employees are entitled to annual vacation leave which is granted on June 1 of each subsequent year of employment and is based on the employee's service years. Upon separation from employment, employees are entitled to compensation at their current rate of pay for all unused vacation leave, prorated to reflect the pay periods worked.

H. Estimates

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

I. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. The School had no restricted net assets at June 30, 2006.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Operating Revenues and Expenses

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

K. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase by the School and an expense is recorded when used. The School has prepaid items totaling \$8,966.

3. DEPOSITS AND INVESTMENTS

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 located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2006, the book amount of the School's deposits was \$79 and the bank balance was \$79. 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, 2006, none of the bank balance was exposed to custodial credit risk.

The total bank balance was insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. The School had no investments at June 30, 2006 or during the fiscal year.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

4. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2006, follows:

	Balance at 7/1/2005	Additions	Deletions	Balance at 6/30/2006
Building	\$1,125,449	\$ 15,276	\$ -	\$1,140,725
Vehicles	3,000	-	-	3,000
Furniture & Fixtures	41,066	-	-	41,066
Total Capital Assets	1,169,515	15,276	-	1,184,791
Less: Accumulated Depreciation	(102,837)	(36,293)	-	(139,130)
Net Capital Assets	<u>\$1,066,678</u>	<u>\$ (21,017)</u>	<u>\$ -</u>	<u>\$1,045,661</u>

5. RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. For fiscal year 2006, the School contracted with Accordia of Illinois Insurance Company for property and general liability insurance. The property insurance limits are \$1,000 deductible and \$385,000 aggregate. The general liability insurance limits are \$1,000,000 each occurrence and \$2,000,000 aggregate. There has been no reduction in coverage over the prior year. There have been no settlements exceeding coverage in the last four years.

B. Worker's 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. The School had paid all premiums as of June 30, 2006.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$6,334, \$5,255, and \$5,754, respectively. 100% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. The School had a prepaid balance to SERS in the amount of \$1,149 at June 30, 2006, all of which was for pension obligations.

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer, public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

6. DEFINED BENEFIT PENSION PLANS (CONTINUED)

The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10% of their annual covered salary and the School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004, was \$43,916, \$35,706, and \$32,073; 85% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004.

7. POST-EMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

7. POST-EMPLOYMENT BENEFITS (CONTINUED)

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$3,378 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 111,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2% of each employee's salary. For the School, the amount contributed to fund health care benefits during fiscal year 2006 was \$2,928. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Net health care cost for the fiscal year ended June 30, 2005 (the latest information available), were \$178,221,113. The target level for the health care fund is 150% of projected claims less premium contributions for the next fiscal year. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. The number of participants eligible to receive benefits is 58,123.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

8. MEDICAL AND DENTAL EMPLOYEE BENEFITS

Effective May 1, 2005, the School contracted with AETNA Insurance for its medical insurance benefits for full-time employees of the School. Dental insurance is provided by Prudential Insurance. All full-time employees are eligible to select coverage under this plan, once they have been employed by the School for thirty days. Currently, the School pays 100% of each employee's individual and/or family premium. Premiums are determined by the insurance company.

9. PURCHASED SERVICES

For the period July 1, 2005 through June 30, 2006, purchased service expenses were for the following services:

Professional Services	\$ 30,324
Property Services	9,777
Travel and Meetings	11,490
Communications	11,141
Utilities	23,576
Trade Services	145
Total	<u>\$ 86,453</u>

10. TAX EXEMPT STATUS

The School completed its application and filed for tax-exempt status under 501(c)(3) of the Internal Revenue Code and was approved for tax-exempt status on May 21, 2002. 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.

11. LONG-TERM LIABILITIES

A summary of long-term obligations for the year ended June 30, 2006, is as follows:

	Balance at 06/30/05	Additions	Reductions	Balance at 06/30/06
Long Term Notes Payable	\$ 682,381	\$ 22,806	\$ (27,171)	\$ 678,016
Compensated Absences	3,738	-	(2,678)	1,060
Loan Payable (BCHF)	7,500	-	-	7,500
Loan Payable (Chase Bank)	-	-	-	-
Total	<u>\$ 693,619</u>	<u>\$ 22,806</u>	<u>\$ (29,849)</u>	<u>\$ 686,576</u>

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

11. LONG-TERM LIABILITIES (CONTINUED)

Columbus Compact Corporation – The School entered into a promissory note with Columbus Compact Corporation dated April 30, 2002, in the amount of \$150,000. This note was for the purpose of acquiring land and a building to be used for the School. The repayment of the principal on this note is deferred for five years. The note has a 4% interest rate and interest accrues during the deferment period. Interest payments are to be made in semi-annual payments during the term of deferment which began on December 31, 2002. At the end of the five year deferment period, the principal balance is to be amortized over fifteen (15) years, with a balloon payment due on the outstanding balance at the end of the seventh year of the loan.

Chase Bank Mortgage – The School has a mortgage with Chase Bank (formerly BankOne) dated July 3, 2002, in the amount of \$586,444. This note is for the purpose of acquiring land and building and improvements to be used as a facility for the School. Terms of this mortgage provide for monthly payments of principal and interest over 150 months at an annual interest rate of 6.5%.

Chase Bank - Note Payable – The School has a short-term note with Chase Bank dated February 1, 2006, in the amount of \$25,125. Proceeds from this loan were used for the installation of a sprinkler system at the School. Terms of this loan provide for payments of principal and interest over 36 months at an annual interest rate of 8.5%.

Amortizations of these obligations are as follows:

<u>Year(s)</u>	<u>Principal</u>
2007	\$ 31,526
2008	39,831
2009	190,306
2010	35,598
2011	37,999
2012 and Thereafter	<u>342,756</u>
	678,016
Less: Current Portion	<u>(31,526)</u>
	<u>\$646,490</u>

Additional long-term obligations as of June 30, 2006 were as follows:

Loan Payable (BCHF) – On September 8, 2001, the School received a loan from Buckeye Community Hope Foundation (BCHF). This loan was used for operating capital. This loan, which is payable on demand, has an interest rate of 0%. The outstanding balance on this loan at June 30, 2006 was \$7,500.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

11. LONG-TERM LIABILITIES (CONTINUED)

Chase Bank Line of Credit – The School has a line of credit with Chase Bank dated February 1, 2006, in the amount of \$25,000. This line of credit carries an interest rate of the prime rate plus 1.25% and is payable on demand. The outstanding balance on this line at June 30, 2006 was \$19,359.

12. RELATED ORGANIZATIONS/RELATED PARTY TRANSACTIONS

The School is a related organization to Buckeye Community Hope Foundation (BCHF) and YouthBuild Columbus, a non-profit organization affiliated with YouthBuild USA. A description of the School’s relationship with these entities follows.

A. Buckeye Community Hope Foundation

BCHF appoints all five members of the Board of Trustees of the School. Three of the Board members are also employed by BCHF. BCHF does not impose its will on the School Board. The School’s accountability to BCHF ceases with BCHF’s appointments to the School Board. The School Board sets its own budget, hires/terminates personnel, and authorizes all expenditures.

Related party transactions with BCHF were as follows:

<u>Description of Transaction</u>	<u>Amount</u>
Amounts received by the School from BCHF for expense reimbursement for BCHF salaries paid by the School.....	\$ 99,960
Loan payable by the School to BCHF as of June 30, 2006 (see Note 11).....	\$ 7,500

B. YouthBuild Columbus

YouthBuild Columbus supports policies and programs which enable young people to assume leadership roles in order to rebuild their communities. The Vice President of the School’s Board of Trustees is also the Executive Director of YouthBuild Columbus. The School’s Principal is also the President of the Board of YouthBuild Columbus. The School began leasing space in the school building at 1183 Essex Avenue to YouthBuild Columbus in March 2003 (See Note 13).

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

13. RENT REVENUE

The School entered into a lease agreement for the use of space in the Essex Avenue School Building with YouthBuild Columbus. The premise will be used as offices by the lessee. The lease commenced March 1, 2003 and the term of the lease is indefinite. YouthBuild Columbus is a subsidiary of Buckeye Community Hope Foundation. During fiscal year 2006, rent payments totaling \$36,000 were paid to the School.

14. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2006.

B. Pending Litigation

A suit was filed in the US District Court, Southern District of Ohio, Western Division on October 6, 2004, which challenges the funding of charter schools under Equal Protection, Due Process and claims violation of a right to vote on the bodies administering public schools. The case is still pending. The effect of this suit, if any, on the School is not presently determinable.

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. The fiscal year 2006 review found the School was overpaid \$5,545. This amount is included in the intergovernmental payable at June 30, 2006.

**YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

15. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2006, the Academy has implemented GASB Statement No.42, “*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*”, GASB Statement No 46, “*Net Assets Restricted by Enabling Legislation*”, and GASB Statement No. 47, “*Accounting for Termination Benefits*”.

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School financial statements for fiscal year 2006.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School’s financial statements for fiscal year 2006.

GASB Statement No. 47 establishes accounting and financial standards for termination benefits. This statement clarifies and established reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the School’s financial statements for fiscal year 2006.



**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***

YouthBuild Columbus Community School
Franklin County
7215 Sawmill Rd. Suite #050
Dublin, Ohio 43016

To the Board of Directors:

We have audited the financial statements of YouthBuild Columbus Community School as of and for the year ended June 30, 2006, and have issued our report thereon dated May 28, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered YouthBuild Columbus Community School's internal control over financial reporting as a basis for designing our auditing procedures 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 Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



**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*
(Continued)**

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether YouthBuild Columbus Community School's financial statements are free of 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*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We noted certain matters that we reported to management of YouthBuild Columbus Community School in a separate letter dated May 28, 2007.

Columbus, Ohio
May 28, 2007

A handwritten signature in black ink that reads "Hemphill & Associates". The signature is written in a cursive style.



Mary Taylor, CPA
Auditor of State

YOUTHBUILD COLUMBUS COMMUNITY 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
SEPTEMBER 27, 2007**