Rea & associates a brighter way

YouthBuild Columbus Community School

Franklin County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2014

Dave Yost · Auditor of State

Board of Directors
YouthBuild Columbus Community School
1183 Essex Avenue
Columbus, OH 43201

We have reviewed the *Independent Auditor's Report* of the YouthBuild Columbus Community School, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. 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.

Dave Yost
Auditor of State

February 11, 2015

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YOUTHBUILD COLUMBUS COMMUNITY SCHOOL
FRANKLIN COUNTY, OHIO

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December 31, 2014

To the Board of Directors
YouthBuild Columbus Community School
Franklin County, Ohio
1183 Essex Avenue
Columbus, OH 43201

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the YouthBuild Columbus Community School, Franklin County, Ohio (the "School") as of and for the year ended June 30, 2014, 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, 2014, 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 December 31, 2014 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 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.

Medina, Ohio

Our discussion and analysis of YouthBuild Columbus Community School (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

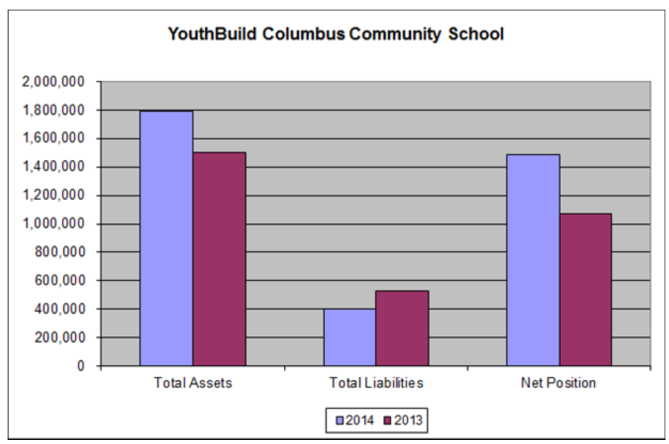
Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Total Net Position increased $414,714, or 39% from 2013.
- Total liabilities decreased $129,883, or 24%, while total assets increased $284,831, or 18% from 2013.
- Total revenue increased from $2,609,082 in fiscal year 2013 to $2,634,588 in fiscal year 2014, a 1% increase.
- Total expenses decreased from $2,860,490 in fiscal year 2013 to $2,219,874 in fiscal year 2014, a 22% decrease from 2014.
- The School has $201,486 in long term liabilities as of June 30, 2014.

Using this Financial Report

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



The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the School did financially during fiscal year 2014. 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 Position and changes in those assets. This change in Net Position is important because it tells the reader whether the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs, and other factors.

The School uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how the School did financially during 2014. 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.

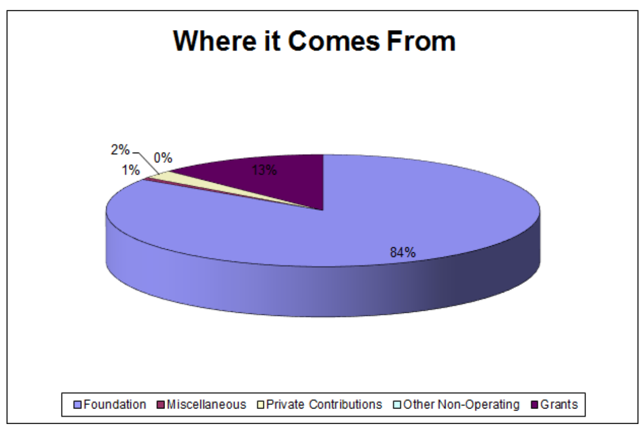
Table 1 provides a summary of the School's Net Position as of June 30, 2014 compared to the prior year.

(Table 1)
Statement of Net Position

	2014	2013
Assets		
Current Assets	$ 628,344	$ 188,658
Capital Assets, Net	1,258,133	1,412,988
Total Assets	1,886,477	1,601,646
Liabilities		
Current Liabilities	199,425	229,525
Long Term Liabilities	201,486	301,269
Total Liabilities	400,911	530,794
Net Position		
Investment in Capital Assets	959,802	1,022,735
Unrestricted	525,764	48,117
Total Net Position	$ 1,485,566	$1,070,852

Statement of Revenues, Expenses and Changes in Net Position

Table 2 shows the changes in Net Position for fiscal year 2014, as well as a listing of revenues and expenses. This change in Net Position is important because it tells the reader that, for the school as a whole, the financial position of the school has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.



Total assets increased in 2014 due to decreased expenditures from operations. Capital assets decreased by $154,855 due depreciation. Also, current assets increased $439,686, or 233% from 2014. Liabilities decreased by $129,883 and Net Position increased by $414,714 in 2014. Liabilities decreased due to payment on long term liabilities and cost reduction measures on operations.

Table 2 shows change in Net Position for fiscal year 2014 compared with fiscal year 2013.

Table 2

Changes in Net Position

	2014	2013
Operating Revenues		
Foundation	$ 2,210,740	$2,042,402
Miscellaneous Operating	17,475	5,154
Casino Aid	13,121	5,713
Non-Operating Revenues		
Interest Income	133	366
Private Contributions	62,495	150,523
Grants	318,625	404,924
Total Revenues	2,622,589	2,609,082
Operating Expenses		
Salaries	817,845	1,052,934
Fringe Benefits	320,506	413,886
Purchased Services	776,831	959,879
Materials and Supplies	80,643	169,770
Depreciation	154,855	124,383
Other	38,835	52,151
Non-Operating Expenses		
Bad Debt Expense	0	64,491
Interest on Notes Payable	18,360	22,996
Total Expenses	2,207,875	2,860,490
Change in Net Position	$ 414,714	$ (251,408)

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and federal entitlement program receipts. Foundation and federal entitlement revenues made up 97% of all revenues for the School in fiscal year 2014. Revenues increased slightly due increases in the State Foundation aid. Salaries and fringe benefits decreased based on the decrease in full time employees in a cost reduction effort by the school.

Budgeting Highlights

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School has $1,258,133 in net capital assets. The largest capital asset is the school building. See Note 4 to the basic financial statements.

Debt

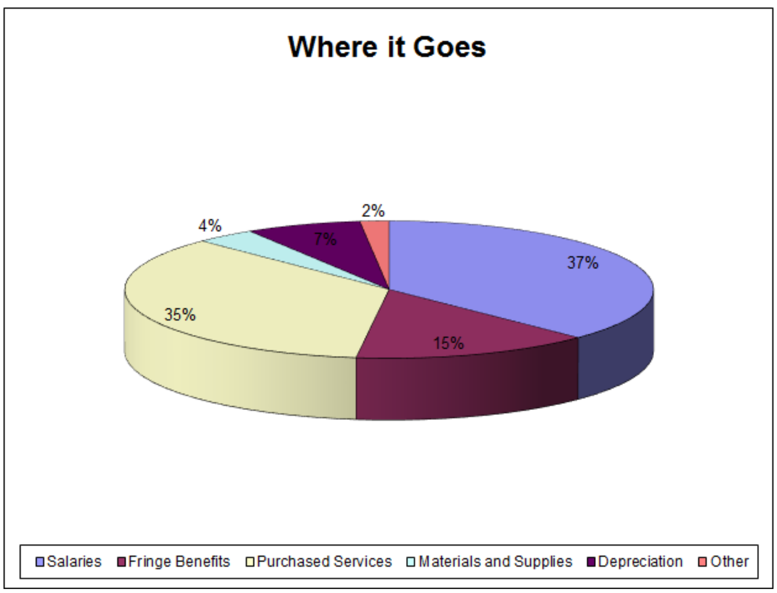
At June 30, 2014, the School had $298,331 in outstanding debt due to J. P. Morgan Chase Bank for the mortgage on the educational facility. See Note 15 in the notes to the basic financial statements.

Current Financial Related Activities

The School's financial outlook over the next several years shows continued growth as enrollment is projected to increase. Enrollment for the school is at 198 students as of December 2014. However, future revenue increases may be optimistic given Ohio's weak economic recovery.

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 Ave. Columbus, OH 43215.



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YouthBuild Columbus Community School
Franklin County
Statement of Net Position
June 30, 2014

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 417,991
Accounts Receivable	49,075
Intergovernmental Receivable	15,199
Prepaids	44,397
Asset Held For Resale	101,682
Total Current Assets	628,344
Noncurrent Assets:	
Capital Assets:	
Non-Depreciable Capital Assets	97,889
Depreciable Capital Assets, net	1,160,244
Total Noncurrent Assets	1,258,133
Total Assets	1,886,477
Liabilities	
Current Liabilities:	
Accounts Payable	17,891
Accrued Wages and Benefits	84,689
Notes Payable, due within one year	96,845
Total Current Liabilities	199,425
Long-Term Liabilities:	
Notes Payable, due in more than one year	201,486
Total Liabilities	400,911
Net Position	
Net Investment In Capital Assets	959,802
Unrestricted	525,764
Total Net Position	$ 1,485,566

See accompanying notes to the basic financial statements

YouthBuild Columbus Community School
Franklin County
Statement of Revenues,
Expenses and Changes in Net Position
For the Fiscal Year Ended June 30, 2014

Operating Revenues	
Foundation	$ 2,210,740
Other State Aid	13,121
Miscellaneous Operating Revenue	17,475
Total Operating Revenues	2,241,336
Operating Expenses	
Salaries	817,845
Fringe Benefits	320,506
Purchased Services	776,831
Materials and Supplies	80,643
Depreciation	154,855
Other	38,835
Total Operating Expenses	2,189,515
Operating Income (Loss)	51,821
Non-Operating Revenues (Expenses)	
Private Contributions	62,495
Interest on Notes Payable	(18,360)
Interest Income	133
Grants	318,625
Total Non-Operating Revenues (Expenses)	362,893
Change in Net Position	414,714
Net Position Beginning of Year	1,070,852
Net Position End of Year	$1,485,566

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, 2014

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from (Used In) Operating Activities	
Cash Received from State	$2,223,861
Cash Received from Other Operating Sources	17,475
Cash Payments to Employees for Services	(831,186)
Cash Payments for Employee Benefits	(357,641)
Cash Payments for Goods and Services	(933,513)
Other Cash Payments	(38,835)
Net Cash Provided by (Used in) Operating Activities	80,161
Cash Flows from Noncapital Financing Activities	
Grants Received	358,136
Private Contributions	62,495
Net Cash Provided by (Used in) Noncapital Financing Activities	420,631
Cash Flows from Capital and Related Financing Activities	
Cash Received from Interest on Investments	133
Interest Paid-Notes Payable	(18,360)
Principal Payments-Notes Payable	(91,923)
Net Cash Provided by (Used in) Financing Activities	(110,150)
Net Increase (Decrease) in Cash and Cash Equivalents	390,642
Cash and Cash Equivalents Beginning of Year	27,349
Cash and Cash Equivalents End of Year	$ 417,991

YouthBuild Columbus Community School
Franklin County
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(Continued)

Reconciliation of Operating Gain (Loss) to Net Cash Provided by (Used in) Operating Activities

Operating Gain (Loss)	$ 51,821
Adjustments:	
Depreciation	154,855
Changes in Assets and Liabilities:	
Accounts Receivable	(16,799)
Prepaid Items	(30,135)
Assets Held for Resale	(41,620)
Accounts Payable	(24,620)
Accrued Wages and Benefits	(13,341)
Net Cash Provided by (Used in) Operating Activities	$ 80,161

See accompanying notes to the basic financial statements

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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 and 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 school is currently sponsored by Buckeye Community Hope Foundation for a five year term ending on June 30, 2015.

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, full time non-certified staff, and certified full time teaching personnel who provide services to approximately 232 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 more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, 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 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/Basis of Accounting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus/Basis of Accounting (Continued)

The Statement of Revenues, Expenses and Changes in Net Position presents increases (e.g., revenues) and decreases (e.g., expenses) in net position. 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

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and the Sponsor does not prescribe an annual budget requirement, but sets forth a requirement to submit a spending plan each fiscal year. Furthermore, the School must submit a five-year forecast to its Sponsor and the Ohio Department of Education, annually.

D. Cash and Cash Equivalents

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 2014.

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 asset's 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:

Asset	Useful Life
Building	45 years
Vehicles	5 years
Furniture and Equipment	1 - 10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Intergovernmental Revenues

The School currently participates in the state foundation and state disadvantaged pupil impact aid programs. 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.

The School participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Revenue received from this program is recognized as non-operating revenues. Amounts awarded under the above programs for the 2014 school year totaled $2,542,486.

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 not entitled to compensation at their current rate of pay for all unused vacation leave, prorated to reflect the pay periods worked. As of June 30, 2014, the liability for unpaid compensated absences was $0.

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 Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on the use of funds, 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 position are available. The School had no restricted net position.

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, 2014, 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 $44,397 of prepaids as of June 30, 2014, due to prepaid retirement expenses.

3. CASH AND CASH EQUIVALENTS

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

The School maintains its cash balances at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per qualifying account. At June 30, 2014, the book amount of the School’s deposits was $417,991 and the bank balance was $434,572.

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, 2014, none of the bank balance was exposed to custodial credit risk.

The total bank balance was insured by the (FDIC) up to $250,000. The School had deposits in excess of $250,000 uninsured at $184,572. The School had no investments at June 30, 2014, or during the fiscal year.

4. CAPITAL ASSETS

A summary of the School's capital assets at June 30, 2014, follows:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14
Capital Assets Not Being Depreciated:				
Land	$ 97,889	$ -	$ -	$ 97,889
Capital Assets Being Depreciated:				
Building	1,441,151	-	-	1,441,151
Vehicles	42,740	-	-	42,740
Furniture and Equipment	555,758	-	-	555,758
Total Capital Assets Being Depreciated	2,039,649	-	-	2,039,649
Less Accumulated Depreciation:				
Building	(362,888)	(62,352)	-	(425,240)
Vehicles	(34,830)	(5,356)	-	(40,186)
Furniture and Equipment	(326,832)	(87,147)	-	(413,979)
Total Accumulated Depreciation	(724,550)	(154,855)	-	(879,405)
Net Total Capital Assets	$ 1,412,988	$ (154,855)	$ -	$ 1,258,133

5. INTERGOVERNMENTAL RECEIVABLE/PAYABLE

At June 30, 2014, the School had intergovernmental receivables in the amount of $15,199. Intergovernmental receivables consist of federal assistance (CCIP), for which eligibility requirements have been met (earned) at June 30, 2014, but the cash was not received by year end.

6. ACCOUNTS PAYABLE/RECIVABLE

Accounts Payable consists of obligations totaling $17,891 at June 30, 2014, incurred during the normal course of conducting operations. Accounts Receivable consists of accounts totaling $49,075 at June 30, 2014, incurred during the normal course of conducting operations.

7. ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were $84,689 at June 30, 2014, which represents wages, with associated benefits, earned and not paid at June 30, 2014 for certain School teachers paid over a 12 month period.

8. ASSETS HELD FOR RESALE

Assets held for resale is a work in process home that the school is building from the ground up. Given the school's construction focus, this property provides valuable construction training to the students. When the home is complete, the school hopes to sell the building for a profit and put those profits into additional educational opportunities for the students. $101,682 is listed on the balance sheet representing costs spent to date for the home.

9. 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 2014, 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 three 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, 2014.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the school is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount by the SERS' Retirement Board. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B, and Health Care Fund.) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School contributions to SERS for the year ended June 30, 2014, 2013, and 2012 were $38,020, $56,455, and $47,654, respectively, which equaled the required contributions each year.

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

Plan Description – The School contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan.

In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11% of their annual covered salaries. The School was required to contribute 14 %; 13% was the portion used to fund pension obligations. For fiscal year 2014, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2014, 2013, and 2012 were $86,403, $86,667, and $62,093, respectively, of which 100% has been contributed.

10. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2014, there were no members that elected Social Security. The contribution rate is 6.2% of wages.

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement Systems

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

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2014 was $99.90; SERS' reimbursement for retirees was $45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund, For fiscal year 2014, the actuarial required allocation is .75% The School's contributions for the years ended June 30, 2014, 2013, and 2012 were $2,037, $3,024, and $2,553, respectively.

Health Care Plan

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

The ORC provides the statutory authority to fund the SERS post-employment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the

11. POSTEMPLOYMENT BENEFITS (Continued)

A. School Employee Retirement Systems (Continued)

total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2014, the minimum compensation level was established at $20,250. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were $4,604, $12,363, and $11,093, respectively.

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

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

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were $6,646, $6,667, and $4,776, respectively all of which has been contributed for all fiscal years.

12. MEDICAL AND DENTAL EMPLOYEE BENEFITS

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.

13. PURCHASED SERVICES

For the period July 1, 2013 through June 30, 2014, purchased service expenses were for the following services:

	2014
Professional Services	$ 550,732
Property Services	30,053
Travel and Professional Development	19,413
Communications	38,179
Utilities	44,117
Trade Services	53,147
Tuition Payments	15,874
Transportation	25,316
Total	$ 776,831

14. 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.

15. LONG-TERM LIABILITIES

A summary of long-term obligation on the mortgage outstanding for land, buildings and improvements at June 30, 2014, is as follows:

	Principal Outstanding 6/30/2013	Additions	Reductions	Principal Outstanding 6/30/2014	Amounts Due Within one year
JP Morgan Chase-Note 1	$ 242,600	$ -	$ (52,983)	$ 189,617	$ 56,134
JP Morgan Chase-Note 2	147,653	-	(38,939)	108,714	40,711
Total Long-Term Liabilities	$ 390,253	$ -	$ (91,922)	$ 298,331	$ 96,845

J.P. Morgan Chase Bank (Mortgage)-Note1 – The School has a mortgage outstanding with J.P Morgan Chase Bank (formerly Bank One), dated August 13, 2010, in the amount of $376,863. This Note is for the purpose of acquiring land, a building, and improvement to be used as an educational facility. Terms of the mortgage provide for monthly payments of $5,477, principal and interest, for 84 months at an annual interest rate of 5.84%. At June 30, 2014, the principal balance was $189,617. Interest and principal payments totaling $65,730 were made for the year ending June 30, 2014. Interest comprised of $12,747. The above is the amortization table for the outstanding obligation at June 30, 2014.

15. LONG-TERM LIABILITIES (Continued)

J.P. Morgan Chase Bank (Mortgage)-Note2 – The School has a mortgage outstanding with J.P Morgan Chase Bank (formerly Bank One), dated January 20, 2012, in the amount of $200,000. This Note is for the purpose of building improvements to be used as an educational facility. Terms of the mortgage provide for monthly payments of $3,713, principal and interest, for 60 months at an annual interest rate of 5.95%. At June 30, 2014, the principal balance was $108,714. Interest and principal payments totaling $44,553 were made for the year ending June 30, 2014. Interest comprised of $5,614. The below is the amortization table for the outstanding obligation at June 30, 2014.

Year(s)	Principal	Interest	Total
2015	$96,845	$13,438	$110,283
2016	101,984	8,299	110,283
2017	91,607	3,015	94,622
2018	7,895	80	7,975
	$298,331	$24,832	$323,163

16. 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. There is no financial dependency on the BCHF and the School does not provide services primarily to BCHF. BCHF does not impose its will on the School Board. The School Board sets its own budget, hires/terminates personnel, and authorizes all expenditures, without approval from BCHF. The School's Executive Director and Program Director are employees of BCHF. The School's accountability to BCHF ceases with BCHF's appointments to the Board.

B. YouthBuild Columbus

YouthBuild Columbus supports policies and programs which enable young people to assume leadership in order to rebuild their communities. The Executive Director and Program Director of the School also serve as Executive Director and Program Director of YouthBuild Columbus. The School's Principal is also the President of the Board of YouthBuild Columbus. YouthBuild Columbus is a subsidiary of BCHF. The school has a contract with YouthBuild Columbus to provide construction training services. Amounts paid for training services per the contract were $135,400.

17. 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, 2014.

B. Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2014 are immaterial and will be included in the financial activity for fiscal year 2015.

18. COLUMBUS STATE COMMUNITY COLLEGE

The school has entered into an agreement with Columbus State Community College (CSCC) for students to get college level credit for courses offered at the school and on site at CSCC. Amounts due per the contract for fiscal year 2014 were $15,874. $2,789 was due at June 30, 2014, and listed in accounts payable.

19. SPONSOR

On May 28, 2010, a sponsorship agreement was executed between the school and Buckeye Community Hope Foundation for a five (5) year period beginning July 1, 2010. Under this agreement, the school pays the Sponsor “up to” 3% of State Aid (see Note 2 F.). Sponsor fee expense at June 30, 2014 totaled $65,682.

20. CHANGE IN ACCOUNTING PRINCIPLES

For 2014, the School has implemented GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term deferred in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of the Academy.

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December 31, 2014

To the Board of Directors
YouthBuild Columbus Community School
Franklin County, Ohio
1183 Essex Avenue
Columbus, OH 43201

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 YouthBuild Columbus Community School, Franklin County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 31, 2014.

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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. 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 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.*

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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

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
FEBRUARY 24, 2015