



**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2011**



**Dave Yost • Auditor of State**



**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

International Academy of Ohio  
D/B/A International Academy of Columbus  
Franklin County  
1201 Schrock Court  
Columbus, Ohio 43229

To the Board of Directors:

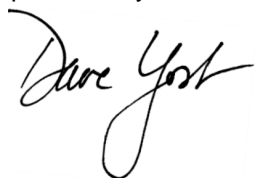
We have audited the accompanying basic financial statements of the International Academy of Ohio, D/B/A International Academy of Columbus, Franklin County, Ohio, (the Academy), as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. 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 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 the International Academy of Ohio, D/B/A International Academy of Columbus, Franklin County, Ohio, as of June 30, 2011, and the changes in its financial position and its 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 March 15, 2012, on our consideration of the Academy'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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

March 15, 2012

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED**

The discussion and analysis of the International Academy of Ohio, D/B/A International Academy of Columbus' (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2011 are as follows:

- In total, net assets were \$382,285 at June 30, 2011.
- The Academy had operating revenues of \$1,288,192, operating expenses of \$1,880,513 and non-operating revenues of \$565,551 for fiscal year 2011. Total change in net assets for the fiscal year was a decrease of \$26,770.

**Using these Basic Financial Statements**

This annual report consists of management's discussion and analysis, the basic of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities and financial position. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

**Reporting the Academy's Financial Activities**

***Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows***

These documents look at all financial transactions and ask the question, "How did we do financially during 2011?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 9 and 10 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 11 of this report.

**INTERNATIONAL ACADEMY OF OHIO  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 13-23 of this report.

The table below provides a summary of the Academy's net assets for fiscal years 2011 and 2010.

	<b>Net Assets</b>	
	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Current assets	\$ 536,427	\$ 554,307
Noncurrent assets:		
Security deposit	10,500	10,500
Capital assets, net	<u>22,269</u>	<u>29,202</u>
Total assets	<u>569,196</u>	<u>594,009</u>
<b><u>Liabilities</u></b>		
Current liabilities	<u>186,911</u>	<u>184,954</u>
Total liabilities	<u>186,911</u>	<u>184,954</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	22,269	29,202
Restricted	70,819	16,535
Unrestricted	<u>289,197</u>	<u>363,318</u>
Total net assets	<u>\$ 382,285</u>	<u>\$ 409,055</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the Academy's net assets totaled \$382,285. The overall decrease in capital assets of \$6,933 is primarily due to depreciation expense. This decrease in capital assets is the primary reason for the decrease in net assets invested in capital assets.

Current assets decreased by 3.23%, primarily due to a decrease in cash and cash equivalents in the amount of \$33,580. At fiscal year-end, capital assets represented 3.91% of total assets. Capital assets include two modular classroom buildings, leasehold improvements and furniture and equipment. Capital assets, net of accumulated depreciation at June 30, 2011, were \$22,269. These capital assets are used to provide services to the students and are not available for future spending. A portion of the Academy's net assets, \$70,819, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$289,197 may be used to meet the Academy's ongoing operations.



**INTERNATIONAL ACADEMY OF OHIO  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

The table below shows the changes in net assets for fiscal years 2011 and 2010.

	<b>Change in Net Assets</b>	
	<u>2011</u>	<u>2010</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 1,270,942	\$ 1,283,914
Charges for services	-	445
Other	<u>17,250</u>	<u>10,896</u>
Total operating revenue	<u>1,288,192</u>	<u>1,295,255</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	951,767	933,058
Fringe benefits	259,481	262,269
Purchased services	584,800	517,067
Materials and supplies	37,113	57,728
Depreciation	10,183	10,353
Other	<u>37,169</u>	<u>43,014</u>
Total operating expenses	<u>1,880,513</u>	<u>1,823,489</u>
<b><u>Non-operating Revenues/(Expenses):</u></b>		
Grants	565,040	449,024
Interest revenue	<u>511</u>	<u>657</u>
Total non-operating revenues (expenses)	<u>565,551</u>	<u>449,681</u>
Change in net assets	(26,770)	(78,553)
Net assets at beginning of year	<u>409,055</u>	<u>487,608</u>
Net assets at end of year	<u>\$ 382,285</u>	<u>\$ 409,055</u>

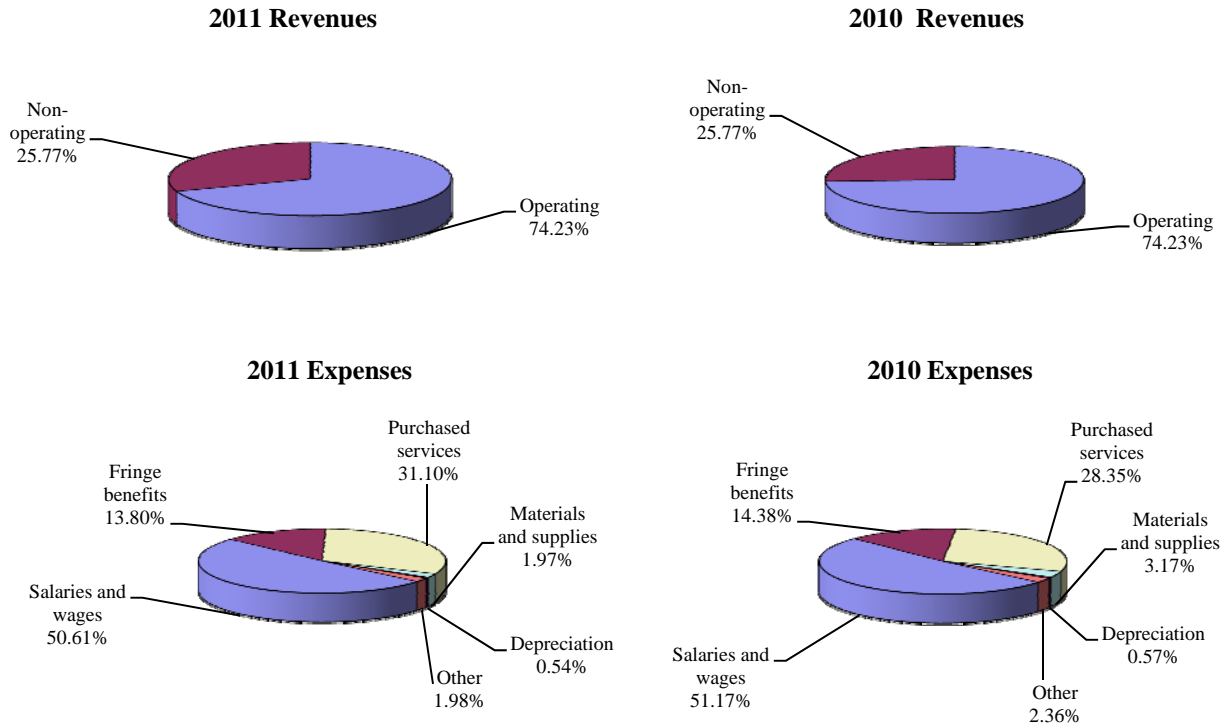
Operating revenues decreased \$7,063, or 0.55%, primarily due to a decrease in State foundation revenue. This decrease in operating revenue was offset by an increase in federal and state grant funding of \$116,016, or 25.84%. The Academy received additional funding from these sources in fiscal year 2011 and will continue to look for additional funding in the future.

Operating expenses increased \$57,024, or 3.13%, in fiscal year 2011 versus 2010. The primary increase was in the area of purchased services which collectively increased \$67,733, or 13.10%. This increase is primarily attributed to the increase in professional and technical purchased service during fiscal year 2011.

**INTERNATIONAL ACADEMY OF OHIO  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

The charts below illustrate the revenues and expenses for the Academy during fiscal years 2011 and 2010.



Total revenues for fiscal years 2011 and 2010 were \$1,853,743 and \$1,744,936, respectively. State Foundation revenues decreased \$12,972 in fiscal year 2011. Non-operating grant revenue increased in fiscal year 2011 by \$116,016, due to an increase in grants.

Total operating expenses for fiscal years 2011 and 2010 were \$1,880,513 and \$1,823,489, respectively. Salaries and wages and fringe benefits increased \$18,709 and \$86,968, respectively. These increases are due to an increase in faculty staffing.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2011, the Academy had \$22,269 in capital assets, net of depreciation, consisting of two modular classroom buildings, leasehold improvements and furniture and equipment.

**INTERNATIONAL ACADEMY OF OHIO  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
UNAUDITED  
(Continued)**

The following table shows fiscal year 2011 balances compared to fiscal year 2010:

	<u>2011</u>	<u>2010</u>
Modular classroom building	\$ 65,054	\$ 65,054
Leasehold improvements	322,866	322,866
Furniture and equipment	96,765	93,515
Accumulated depreciation	<u>(462,416)</u>	<u>(452,233)</u>
Total	<u>\$ 22,269</u>	<u>\$ 29,202</u>

The overall decrease in capital assets is \$6,933, due primarily to depreciation expense.

See Note 6 to the basic financial statements for additional information on the Academy's capital assets.

**Budgeting Highlights**

Community schools in Ohio are exempt from appropriations law, but are required to submit a financial forecast.

**Current Financial Related Activities**

Management and the Board intend to continue their good stewardship of public funds by keeping appropriate levels of working capital and net assets. The current level of net assets is about 30 percent of operating revenues for fiscal year 2011. The Academy must continue to look for ways to increase its efficiency and effectiveness. As described in the previous pages, the Academy has limited means to increase its revenue relative to traditional school districts. Community schools cannot seek additional funds through the passage of tax levies and are limited to the per pupil revenue provided through State foundation. As such, the Academy must constantly monitor budgets and develop revenue models to accurately anticipate changes in funding and timing of cash.

**Contacting the Academy's Financial Management**

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Barbara E. Henry, Treasurer, 1201 Schrock Court, Columbus, Ohio 43229.

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**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

**Assets:**

Current assets:

Cash and cash equivalents . . . . .	\$	367,030
Receivables:		
Intergovernmental. . . . .		138,516
Prepayments . . . . .		30,881
		536,427
Total current assets. . . . .		536,427

Noncurrent assets:

Security deposit . . . . .		10,500
Capital assets, net of depreciation. . . . .		22,269
		32,769
Total non-current assets. . . . .		32,769
Total assets. . . . .		569,196

**Liabilities:**

Current liabilities:

Accounts payable . . . . .		5,438
Accrued wages and benefits . . . . .		143,275
Intergovernmental payable . . . . .		38,198
		186,911
Total liabilities . . . . .		186,911

**Net assets:**

Invested in capital assets . . . . .		22,269
Restricted for locally funded programs. . . . .		448
Restricted for federal programs . . . . .		29,376
Restricted for other purposes. . . . .		40,995
Unrestricted. . . . .		289,197
		289,197
Total net assets . . . . .	\$	382,285

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGE IN NET ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 1,270,942
Other. . . . .	<u>17,250</u>
Total operating revenues . . . . .	<u>1,288,192</u>
 <b>Operating expenses:</b>	
Salaries and wages . . . . .	951,767
Fringe benefits . . . . .	259,481
Purchased services . . . . .	584,800
Materials and supplies. . . . .	37,113
Depreciation . . . . .	10,183
Other . . . . .	<u>37,169</u>
Total operating expenses . . . . .	<u>1,880,513</u>
Operating (loss). . . . .	<u>(592,321)</u>
 <b>Non-operating revenues:</b>	
State and federal grants . . . . .	565,040
Interest revenue . . . . .	511
Total nonoperating revenues . . . . .	<u>565,551</u>
Change in net assets. . . . .	(26,770)
<b>Net assets at beginning of year . . . . .</b>	<u>409,055</u>
<b>Net assets at end of year. . . . .</b>	<u><u>\$ 382,285</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY

**STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 1,267,861
Cash received from other operations . . . . .	17,250
Cash payments for personal services . . . . .	(1,206,976)
Cash payments for contractual services . . . . .	(572,247)
Cash payments for materials and supplies . . . . .	(37,365)
Cash payments for other expenses . . . . .	(35,503)
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Net cash provided by (used in)	
Net cash used in operating activities . . . . .	(566,980)
	<hr/>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from federal and state grants . . . . .	536,139
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Net cash provided by noncapital financing activities. . . . .	536,139
	<hr/>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	(3,250)
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Net cash used in capital and related financing activities. . . . .	(3,250)
	<hr/>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	511
	<hr/>
Net cash provided by investing activities . . . . .	511
	<hr/>
Net decrease in cash and cash equivalents . . . . .	(33,580)
<b>Cash and cash equivalents at beginning of year. . .</b>	400,610
<b>Cash and cash equivalents at end of year . . . . .</b>	<u><u>\$ 367,030</u></u>
 <b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (592,321)
Adjustments:	
Depreciation . . . . .	10,183
Changes in assets and liabilities:	
Decrease in prepayments . . . . .	7,632
Increase in accounts payable . . . . .	5,438
Increase in accrued wages and benefits . . . . .	1,175
Increase in intergovernmental payable . . . . .	913
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Net cash used in operating activities . . . . .	<u><u>\$ (566,980)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The International Academy of Ohio, D/B/A International Academy of Columbus (the "Academy") is a non-profit corporation established pursuant to the Ohio Revised Code Chapters 1702 and 3314 to maintain and provide a school exclusively for educational, literary, scientific, and related teaching service that qualifies as an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Specifically the Academy's purpose is to be a model charter school serving children from kindergarten through grade seven. The Academy, which is part of the State's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax exempt status.

The creation of the Academy was initially proposed to the Ohio Department of Education (the "Sponsor") by the developers of the Academy in July, 2000. The Sponsor approved the proposal and entered into a contract with the developers, which provided for the commencement of the Academy's operations on May 31, 2002 for a period of five years. Also, on May 31, 2002, the Ohio Department of Education assigned the sponsor contract to the Lucas County Educational Service Center (LCESC). On September 1, 2005, the LCESC assigned the sponsor contract to the Buckeye Community Hope Foundation.

The Academy is located in Columbus, Ohio, Franklin County. The Academy ranks as the 752<sup>nd</sup> largest in terms of enrollment (among 918 public school districts and community schools) in the State of Ohio. The Academy operates under a self-appointed seven-member Board of Directors, which is comprised of a variety of community leaders. The 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, admissions standards, and qualifications of teachers. The Board of Trustees controls the Academy's one instructional facility staffed by 14 full time non-certified personnel, 15 certified full-time teaching personnel and 1 administrator who provide services to approximately 199 students.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 Academy also applied Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, provided those pronouncements did not conflict with or contradict GASB pronouncements. The Academy had the option to also apply FASB guidance issued after November 30, 1989, subject to this same limitation. The Academy elected not to apply these FASB guidance. The Academy's significant accounting policies are described below.

**A. Basis of Presentation**

The Academy's basic financial statements consist of a statement of net assets; a statement of revenues, expenses, and change in net assets; and a statement of cash flows.

**INTERNATIONAL ACADEMY OF OHIO  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**A. Basis of Presentation (Continued)**

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

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

**B. Measurement Focus and 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 Academy are included on the statement of net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows reflects how the Academy finances its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, the Academy is not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast which is updated on an annual basis.

**D. Cash and Cash Equivalents**

Cash and investments held by the Academy are reflected as "cash and cash equivalents" on the statement of net assets. All monies received by the Academy were deposited in demand deposit accounts.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Capital Assets and Depreciation**

All capital assets were capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets were recorded at their fair market values on the date donated. The Academy maintained a capitalization threshold of \$1,000. The Academy did not have any infrastructure. Leasehold Improvements were capitalized. The costs of normal maintenance and repairs that did not add to the value of the asset or materially extend an asset's life were not capitalized. Interest incurred during the construction of capital assets is also capitalized. The Academy did not have any capitalized interest during the year.

All capital assets were depreciated. Leasehold Improvements were depreciated over the remaining useful lives of the related capital assets from three to four years. Depreciation was computed using the straight-line method. Furniture and equipment was depreciated over three to ten years. Modular classroom buildings are depreciated over ten years.

**F. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, are net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**G. Prepaid Items**

A prepaid item is an asset that occurs when a vendor is paid for services that will benefit a future accounting period. When items meet these criteria, they are reported as assets on the statement of net assets using the consumption method. Under the consumption method, a current asset for the prepaid amount is recorded at the time of the purchase and the expense is reported in the year in which services are consumed. The Academy had \$30,881 in prepaid assets at June 30, 2011.

**H. Intergovernmental Revenue**

The Academy participated in the State Foundation Program through the Ohio Department of Education. Revenue from this program was recognized as operating revenue in the accounting period in which all eligibility requirements had been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Security Deposit**

At June 30, 2011, the Academy had a deposit of \$10,500 with Busch Properties, Inc., as security for the faithful performance of all lease covenants and conditions of the property leased. The deposit is recorded on the accompanying statement of net assets as a non-current asset.

**J. Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principles**

For fiscal year 2011, the Academy has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the Academy.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

**Deposits**

At June 30, 2011, the carrying amount of the Academy's deposits was \$367,030. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, all of the Academy's bank balance of \$418,161 was covered by the Federal Deposit Insurance Corporation (FDIC).

There are no significant statutory restrictions regarding the deposit and investment of funds by the non-profit corporation.

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2011 consisted of intergovernmental (e.g. state and federal grants) receivables. All intergovernmental receivables are considered collectible in full. Below is a summary of receivables due to the Academy:

National School Lunch	\$ 45,375
Education jobs	61,722
IDEA Part B	13,615
Limited English Proficiency	5,104
Title I	<u>12,700</u>
Total	<u>\$ 138,516</u>

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2011</u>
Modular classroom buildings	\$ 65,054	\$ -	\$ -	\$ 65,054
Leasehold improvements	322,866	-	-	322,866
Furniture and equipment	93,515	3,250	-	96,765
Less: accumulated depreciation	<u>(452,233)</u>	<u>(10,183)</u>	<u>-</u>	<u>(462,416)</u>
Capital assets, net	<u>\$ 29,202</u>	<u>\$ (6,933)</u>	<u>\$ -</u>	<u>\$ 22,269</u>

**NOTE 7 - OPERATING LEASES**

The Academy leases a building under a cancelable operating lease.

The building lease ends June 30, 2012. At the expiration or earlier termination of the tenancy, the Academy shall surrender the leased premises, including, without limitation, all alterations, additions, improvements, decorations, and repairs made thereto, in good condition and repair. The lease is renewable under contract provisions through June 30, 2017, with incremental annual increases. All original terms and conditions apply to renewal options. The Academy is responsible for all charges incurred for utilities (i.e. heat, water, gas, sewer, electricity) and maintenance. The Academy made lease payments in the amount of \$217,080 for fiscal year 2011. The Academy has paid a security deposit of \$10,500 to execute the lease.

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	<u>\$ 227,940</u>

**INTERNATIONAL ACADEMY OF OHIO  
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FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 8 - PURCHASED SERVICES**

For fiscal year ended June 30, 2011, purchased services expenses were as follows:

Professional services	\$ 83,013
Rent and property services	274,446
Advertising, communications and travel	18,826
Utilities	47,712
Contract services	116,611
Other purchased services	<u>44,192</u>
Total	<u>\$ 584,800</u>

**NOTE 9 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$43,485, \$48,487 and \$30,622, respectively; 94.51 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 9 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org), under "Publications".

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 a 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 percent 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 DC Plan and the DB 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 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 DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$74,955, \$70,096 and \$66,411, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$11,826 made by the Academy and \$16,556 made by the plan members.

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, 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 Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Media/Financial Reports".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$11,072, \$7,127 and \$19,218, respectively; 94.51 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.



**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 10 - POSTEMPLOYMENT BENEFITS - (Continued)**

**A. School Employees Retirement System (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$2,798, \$2,883 and \$2,527, respectively; 94.51 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. State Teachers Retirement System of Ohio**

Plan Description - The Academy contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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](http://www.strsoh.org), under "Publications" 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 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$5,766, \$5,392 and \$5,109, respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from the Academy policy and State laws. All employees are at-will employees and do not have contracts as employees in traditional school districts. Full time administrative staff members are entitled to accrue 10 vacation days per year. Vacation time for the custodian is determined annually by the Management team. Vacation time for the Academy Director is determined annually by the Board. Salaried employees accrue sick time of 10 days per school year (0.833 per month) and are awarded 3 personal days and 1 professional day at the beginning of each school year. Hourly rate employees do not accrue leave and are paid based upon hours worked only. Personal and professional days do not carry over to the following school year.

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 12 - RISK MANAGEMENT**

**A. Property and Liability**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy maintains insurance coverage with Wells Fargo Insurance Company for general liability, buildings and contents, and school leaders' errors and omissions. The general liability coverage is in the amount of \$3,000,000 aggregate. There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded the commercial coverage in any of the past three years.

**B. Employee Medical, Dental, and Vision Benefits**

The Academy has contracted with a private carrier to provide employee health insurance benefits. The employee has the option of using the Academy's insurance provider or using an outside provider. Insurance premiums vary by employee depending upon such factors as age, gender, and number of covered dependants.

**C. Workers' Compensation**

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

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2011.

**B. State Foundation Funding**

The Ohio Department of Education conducts reviews on enrollment data 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. As a result of the review after fiscal year end, the Ohio Department of Education overpaid the Academy \$4,757. This amount is reflected as intergovernmental payable on the basic financial statements.

**C. Litigation**

The Academy is not involved in any litigation that, in the opinion of management, would have a material effect on the financial statements.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

International Academy of Ohio  
D/B/A International Academy of Columbus  
Franklin County  
1201 Schrock Court  
Columbus, Ohio 43229

To the Board of Directors:

We have audited the basic financial statements of the International Academy of Ohio, D/B/A International Academy of Columbus, Franklin County, Ohio (the Academy), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 15, 2012. 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*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Academy's financial statements will not be prevented, or detected and timely corrected.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the Academy's management in a separate letter dated March 15, 2012.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the audit committee, management, the Board of Directors, the Academy's sponsor, and others within the Academy. We intend it for no one other than these specified parties.

**Dave Yost**  
Auditor of State

March 15, 2012

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>2011-001</b>
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**Finding for Recovery Repaid Under Audit – Board Member Compensation**

Ohio Rev. Code § 3314.025 states that the governing authority of a start-up community school may provide by resolution for the compensation of each of its members in an amount up to one hundred twenty-five dollars for each meeting of the governing authority that the member attends. If an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools. During fiscal year 2011, the Board members of International Academy of Ohio (D/B/A International Academy of Columbus) were also on the Board of Westside Academy. Although each Academy held separately distinct Board meetings, the meetings were held at the same place on the same day. On April 28, 2008, the governing authority for International Academy of Columbus approved a resolution to reimburse members at the rate of \$125 per meeting. Westside Academy did not memorialize their reimbursement rate for board members in a resolution; however, the Academy consistently paid the Board President \$125 per meeting and all other members \$100 per meeting. During fiscal year 2011, International Academy of Columbus paid all Board members \$125 per meeting, and Westside Academy paid the Board President \$125 per meeting and all other members \$100 per meeting.

If meetings are held at the same place on the same day for both International and Westside Academy schools, a governing authority member can only be compensated the total approved rate of \$125 for both meetings attended. The \$125 member compensation should be charged and allocated equally to each Academy in the amount of \$62.50 per member for each meeting.

Based on the information above, Board member compensation during fiscal year 2011 exceeded the limits set forth in Ohio Rev. Code § 3314.025 as follows:

<b>Board Member</b>	<b>Compensation Paid by International Academy</b>	<b>Allowable Compensation from International Academy</b>	<b>Overpayment</b>
Abukar Osman	\$375	\$188	\$187
Marcel Anthony	\$1,125	\$563	\$562
Dr. Hazem Gheith	\$875	\$438	\$437
Dr. Souzan El-Kest	\$1,125	\$563	\$562
Abdoul Shmohamed	\$625	\$313	\$312

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against board member Abukar Osman in the amount of \$187, board member Marcel Anthony in the amount of \$562, board member Dr. Hazem Gheith in the amount of \$437, board member Dr. Souzan El-Kest in the amount of \$562, and board member Abdoul Shmohamed in the amount of \$312, and in favor of International Academy’s General Fund in the amount of \$2,060.

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2011-001 (Continued)</b>
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**Finding for Recovery Repaid Under Audit – Board Member Compensation (Continued)**

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of such expenditure. Seward v. National Surety Co., 120 Ohio St. 47 (1929); 1980 Op. Atty Gen. No. 80-074; Ohio Rev. Code Section 9.39; State, ex.rel. Village of Linndale v. Masten, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Atty Gen. No. 80-074.

Director Mouhamed Tarazi approved the overpayments to board members and Treasurer Barbara Henry supervised the Academy's accounts from which the overpayments were made. Accordingly, Mouhamed Tarazi and his bonding company, Employers Mutual Casualty Company, are jointly and severally liable in the amount of \$2,060 and in favor of International Academy's General Fund. Furthermore, Barbara Henry and her bonding company, Employers Mutual Casualty Company, are jointly and severally liable in the amount of \$2,060 and in favor of International Academy's General Fund.

On March 13, 2012, the Board members listed above repaid the Academy the \$2,060.

**Officials' Response:**

We're expressing our objection to the above "Finding for Recovery". This is not about the return of a few thousand dollars (a total of \$2,060, an average of \$400 per board member spread over a whole year), but about our reputation for always conducting ourselves openly and in compliance with the law.

For the now repealed cited statute ORC 3314.025, everyone in the industry understood this statute to have been enacted to address a specific problem. There was once a problem of board members receiving payment (in some cases thousands of dollars per meeting) from multiple schools for one joint meeting conducted at the same time.

After this statute ORC 3314.025 was enacted, back in 2007, the industry practice understood and the Ohio Department of Education (ODE) represented that this statute prohibited receiving multiple payments for meetings conducted, simultaneously, at "the same place and time." The Boards for International Academy and Westside Academy have been very distinct and deliberate in the separation of their meetings.

The Ohio Department of Education states on their web-site under "**Legislation for Community Schools**" the following : If an individual is a member of more than one governing authority, and the governing authorities **meet at the same place and time**, the combined compensation for attending both schools' governing authority meetings may be no greater than \$125. The board meetings in question were not held at the same time and certainly were not "joint meetings". Our monthly public notices, our board minutes, and the presence of our Sponsor's representative at all these meetings attest to this fact.

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2011  
(Continued)**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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<b>Finding Number</b>	<b>2011-001 (Continued)</b>
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**Finding for Recovery Repaid Under Audit – Board Member Compensation (Continued)**

Our sponsor, Buckeye Hope, among many others, also interpreted the statute per industry standards and felt we were correct with our procedures.

The issue of meetings and payment to board members was raised in several previous audits done by the same state auditors since 2008, and nothing was said in any prior audit as a comment or non-compliance citation with regard to this matter.

It is clear that our sponsor and school boards relied on the prior conduct of the state auditors and on the ODE's representation, which is still there, on its web-site on this issue. Furthermore, our school boards relied on the state auditor's office's precedent not only with our school but with other schools similarly situated.

Finally, this law, ORC 3314.025, has now been repealed.

After all of this, for the auditors to come in this year and retroactively apply a different interpretation of a repealed law to recover a few thousand dollars is a discriminatory, arbitrary, and capricious application of the law.

Our school did nothing wrong and we consider this decision not to be founded in common sense, or a fair understanding of the law.

**Auditor of State's Analysis:**

Ohio Rev. Code Section 3314.025, mandates that if an individual is a member of the governing authority of more than one start-up community school and those governing authorities convene their meetings at the same place on the same day, that individual shall receive as compensation for all of those meetings combined not more than the highest amount per-member per-meeting specified by the governing authorities of those schools. The amount paid to that individual for that day shall be divided evenly among the start-up community schools for which that individual is a governing authority member. Irrespective of whether or not those meetings were held "separately", as the Academy contends was the case, this is not exception under the statute. Further, although Ohio Rev. Code 3314.025 was repealed as of September 29, 2011, the Academy was still under an obligation to comply with the former reading of the statute as recited above, for the audit period ending June 30, 2011. As such, compensation was limited to \$125 in total for both meetings.

**INTERNATIONAL ACADEMY OF OHIO  
D/B/A INTERNATIONAL ACADEMY OF COLUMBUS  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2010-001	Monthly Bank Reconciliations – Significant Deficiency	Yes	





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

International Academy of Ohio  
D/B/A International Academy of Columbus  
Franklin County  
1201 Schrock Court  
Columbus, Ohio 43229

To the Board of Directors:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether International Academy of Ohio, D/B/A International Academy of Columbus, Franklin County, Ohio, (the Academy) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and Academy's sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

**Dave Yost**  
Auditor of State

March 15, 2012

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# Dave Yost • Auditor of State

**INTERNATIONAL ACADEMY OF OHIO dba INTERNATIONAL ACADEMY OF COLUMBUS**

**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  
APRIL 12, 2012**