

**THE CHARLES SCHOOL AT OHIO
DOMINICAN UNIVERSITY
FRANKLIN COUNTY, OHIO**

REGULAR AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021



www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of The Charles School at Ohio Dominican University, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Charles School at Ohio Dominican University is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads 'Keith Faber'.

Keith Faber
Auditor of State
Columbus, Ohio

December 27, 2021

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THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
Franklin County, Ohio
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To the Board of Directors
The Charles School at Ohio Dominican University
Franklin County, Ohio
1270 Brentnell Avenue
Columbus, OH 43219

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of The Charles School at Ohio Dominican University, Franklin County, Ohio (TCS), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise TCS'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 TCS'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 TCS'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 TCS as of June 30, 2021, 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* as listed in the table of contents 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 9, 2021, on our consideration of TCS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TCS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TCS's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
December 9, 2021

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021*

Our discussion and analysis of The Charles School at Ohio Dominican University (TCS) financial performance provides an overall review of TCS' financial activities for the fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at TCS' financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the TCS' financial performance.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

- In total, net position increased \$600,369 which represents a 150.4 percent increase from 2020. This increase is mainly attributable to a decrease in purchased services: management fees.
- Total assets increased \$195,140 which represents a 20.8 percent increase from 2020. This was primarily due to an increase in intergovernmental receivable and cash and cash equivalents.
- Liabilities decreased \$405,229 which represents a 75.4 percent decrease from 2020. The decrease in liabilities is due to the retirement of a long term debt.

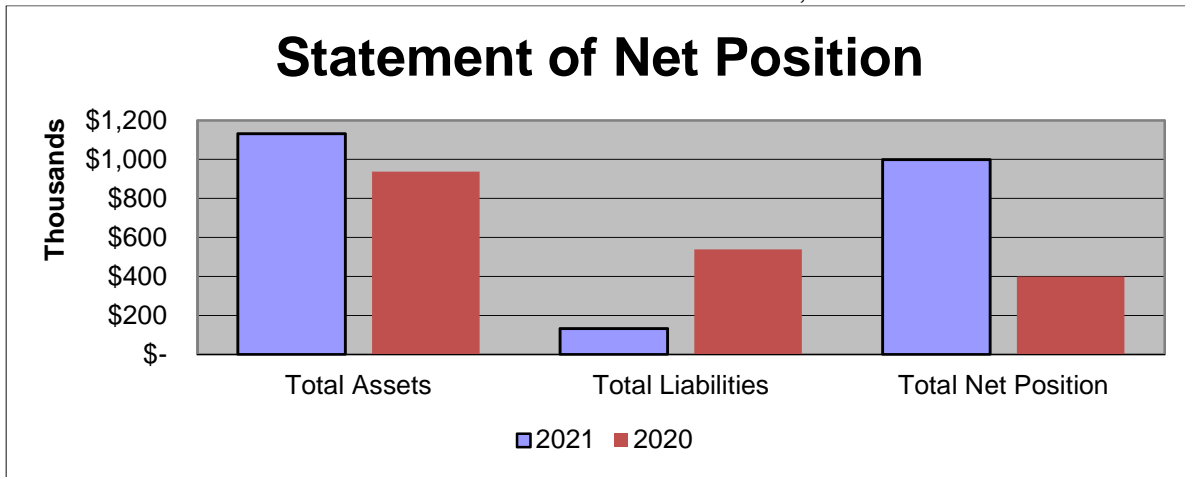
USING THIS ANNUAL REPORT

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

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how TCS did financially during fiscal year 2021. 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 TCS' net position and changes in net position. This change in net position is important because it tells the reader whether the financial position of TCS has improved or diminished.

The Charles School at Ohio Dominican University
Franklin County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021



The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include TCS' student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors. TCS uses enterprise presentation for all of its activities.

Statement of Net Position

The Statement of Net Position answers the question of how TCS did financially during 2021. This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1, below, is a summary of TCS' Net Position for fiscal year 2021 and 2020.

(Table 1)
Statement of Net Position

	2021	2020
Assets		
Current Assets	\$ 578,728	\$ 412,503
Non-Current Assets	552,964	524,049
Total Assets	<u>1,131,692</u>	<u>936,552</u>
Liabilities		
Current Liabilities	132,215	115,064
Long Term Liabilities	0	422,380
Total Liabilities	<u>132,215</u>	<u>537,444</u>
Net Position		
Net Investment in Capital Assets	552,964	86,400
Restricted	26,107	10,704
Unrestricted	420,406	302,004
Total Net Position	<u>\$ 999,477</u>	<u>\$ 399,108</u>

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021*

Total assets were \$1,131,692, an increase of 20.8% from the prior year due to an increase in intergovernmental receivable and cash and cash equivalents. Total liabilities decreased by 75.4% to \$132,215 as a result of the retirement of long term debt during the fiscal year. Cash and cash equivalents were \$338,912 and capital assets, at net, were \$552,964. Intergovernmental receivables totaled \$239,816.

Statement of Revenues, Expenses and Change in Net Position

Table 2 below demonstrates the changes in net position for fiscal year 2021 and 2020, as well as a listing of revenues and expenses. This change in net position is important because it tells the reader that, for TCS as a whole, the financial position of TCS has improved or diminished. The cause of this may be the result of many factors, some financial, some not. Non-financial factors include the current laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

(Table 2)

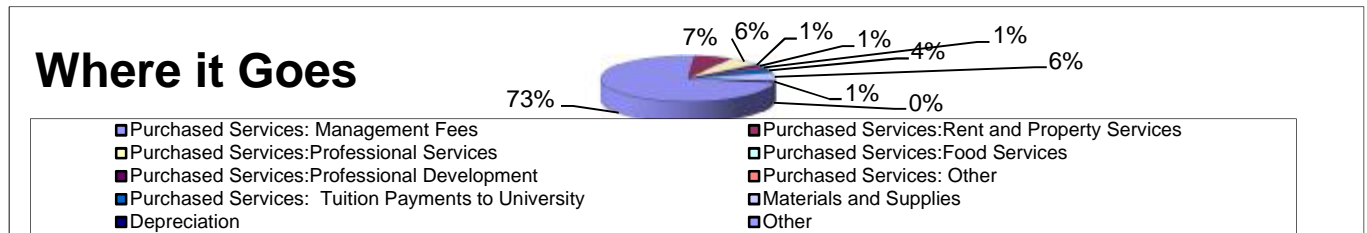
Change in Net Position

	2021	2020
Operating Revenues		
State Aid	\$2,571,092	\$2,616,829
Casino Aid	13,715	18,098
Facilities Funding	75,645	79,708
Food Service	55	2,705
Classroom Fees	1,576	4,820
Other Operating	9,291	2,381
Non-Operating Revenues		
Grants	1,079,648	1,324,897
Investment Income	396	585
Loan Forgiveness	100,000	0
Contributions & Donations	31,895	7,777
Total Revenues	3,883,313	4,057,800
Operating Expenses		
Purchased Services: Management Fees	2,407,571	2,968,030
Purchased Services: Rent and Property Services	228,328	249,587
Purchased Services: Professional Services	202,492	196,971
Purchased Services: Food Services	17,054	90,490
Purchased Services: Professional Development	48,170	75,077
Purchased Services: Tuition Payments to University	117,587	180,619
Purchased Services: Other	33,925	18,259
Materials and Supplies	185,083	172,604
Depreciation	30,448	23,420
Other	9,004	9,559
Non-Operating Expenses		
Interest and Fiscal Charges	3,282	13,502
Total Expenses	3,282,944	3,998,118
Change in Net Position	\$ 600,369	\$ 59,682

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

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2021*

Operating revenues were \$2,671,374 which represents 68.8% of total revenue. Total Revenues decreased 4.3% from the prior year due to a decrease in state aid, including high performing community school funding. Operating expenses were \$3,279,662 which represents 99.9% of total expenses. TCS' most significant expense Purchased Services: Management Fees represents 73.3% of total expenses. The total comprises management fees paid to The Graham School (TGS). The agreement between TCS and TGS provides for TCS to remit a specific percentage of certain revenues received to TGS to finance operations. Note 10 in the notes to the basic financial statements outline this agreement.



CAPITAL ASSETS

At the end of fiscal year 2021, TCS had \$552,964 invested in capital assets, net of depreciation. For more information on capital assets, see Note 6 in the notes to the basic financial statements.

DEBT

At June 30, 2021, TCS had no combined short and long term debt. See Note 12.

OTHER INFORMATION

For the Future

In conclusion, TCS has committed itself to financial excellence. TCS acquired, from Columbus City School District, land and a building located at 1270 Brentnell Avenue on April 1, 2017 in the amount of \$555,000. This building is expected to ensure that TCS can meet its enrollment projections and give students a positive learning environment. TCS received donations and private grants to assist in financing the operations and development of curriculum; this practice is expected to continue. TCS has an annual fundraising program and uses the expertise of The Graham School's specialists to assist in this effort. The financial impact of COVID-19 and the ensuing emergency measures have impacted the current period and will continue to impact subsequent periods of the School.

CONTACTING THE CHARLES SCHOOL'S FINANCIAL MANAGEMENT

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

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY, OHIO**

**STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS

Current Asset

Cash and Cash Equivalents	\$ 338,912
Intergovernmental Receivable	<u>239,816</u>

Total Current Assets	<u>578,728</u>
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Noncurrent Assets

Depreciable Capital Assets, net	441,364
Non-Depreciable Capital Assets	<u>111,600</u>

Total Non-Current Assets	<u>552,964</u>
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Total Assets	<u>1,131,692</u>
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LIABILITIES

Current Liabilities

Accounts Payable	130,749
Intergovernmental Payable	<u>1,466</u>

Total Current Liabilities	<u>132,215</u>
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Total Liabilities	<u>132,215</u>
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NET POSITION

Net Investment in Capital Assets	552,964
Restricted	26,107
Unrestricted	<u>420,406</u>

Total Net Position	<u>\$ 999,477</u>
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See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY, OHIO**

**STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

OPERATING REVENUES

State Aid	\$ 2,571,092
Casino Aid	13,715
Facilities Funding	75,645
Food Service	55
Classroom Fees	1,576
Other Operating	<u>9,291</u>

Total Operating Revenues 2,671,374

OPERATING EXPENSES

Purchased Services: Management Fees	2,407,571
Purchased Services: Rent and Property Services	228,328
Purchased Services: Professional Services	202,492
Purchased Services: Food Services	17,054
Purchased Services: Professional Development	48,170
Purchased Services: Tuition Payments to University	117,587
Purchased Services: Other	33,925
Materials and Supplies	185,083
Depreciation	30,448
Other	<u>9,004</u>

TOTAL OPERATING EXPENSES 3,279,662

NET OPERATING INCOME/(LOSS) (608,288)

NON-OPERATING REVENUES (EXPENSES)

Grants	1,079,648
Investment Income	396
Interest and Fiscal Charges	(3,282)
Loan Forgiveness – Charitable Contribution	100,000
Contributions & Donations	<u>31,895</u>

TOTAL NON-OPERATING REVENUES (EXPENSES) 1,208,657

CHANGE IN NET POSITION 600,369

NET POSITION BEGINNING OF YEAR 339,108

NET POSITION END OF YEAR \$ 999,477

See accompanying notes to the basic financial statements

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from State of Ohio	\$ 2,648,905
Cash Received from Other Operating Sources	10,922
Cash Payments to Suppliers for Goods and Services	(3,184,031)
Other Cash Payments	<u>(9,021)</u>
Net Cash Used for Operating Activities	<u>(533,225)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash Received from Grants	1,008,337
Cash Received from Contributions and Donations	<u>31,895</u>
Net Cash Provided by Noncapital Financing Activities	<u>1,040,232</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Payments for Capital Assets Acquisitions	(65,104)
Cash Payments for Interest and Fiscal Charges	(3,282)
Cash Principal Payments for Notes Payable	<u>(337,650)</u>
Net Cash Used for Capital Financing Activities	<u>(406,036)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	<u>396</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>396</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

101,367

CASH AND CASH EQUIVALENTS BEGINNING OF YEAR

237,545

CASH AND CASH EQUIVALENTS END OF YEAR

\$ 338,912

(Continued)

**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY, OHIO**

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021
(CONTINUED)**

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

Operating Loss	\$ (608,288)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Depreciation	30,448
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Changes in Assets and Liabilities:

Accounts Receivable	10,327
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Intergovernmental Receivable	1,868
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Accounts Payable	59,945
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Intergovernmental Payable	<u>(27,525)</u>
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Net Cash Used for Operating Activities	<u>\$ (533,225)</u>
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Supplemental Non-Cash Financing Activities

During fiscal year 2021, TCS had loan forgiveness of \$100,000.

See accompanying notes to the basic financial statements

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

1. DESCRIPTION OF THE REPORTING ENTITY

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

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

On January 1, 2009, the Sponsor merged with the Franklin County Service Center. The surviving organization, the Educational Service Center of Central Ohio, acknowledges its obligations under the existing contract between the Sponsor and TCS, and expects to honor provisions contained therein, as documented in the Memorandum of Understanding dated January 3, 2009. On May 13, 2009, a sponsorship agreement was executed between TCS and the Educational Service Center of Central Ohio for a five (5) year period beginning July 1, 2009. The school has subsequently renewed for an additional two (2) year period extensions now ending June 30, 2022.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Position. The operating statement presents increases and decreases in net position. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is used for reporting purposes. Revenues are recognized when earned and expenses are recognized when they are incurred.

C. Budgetary Process

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

D. Cash and Cash Equivalents

All cash received by TCS is deposited in accounts in TCS's name and reflected as Cash and Cash Equivalents on the Statement of Net Position. TCS did not have any investments during fiscal year 2021.

E. Prepaid Items

TCS records payments made to vendors for services that will benefit future periods as prepaid items using the consumption method. No prepaid items were recorded at June 30, 2021. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is recorded in the year in which the services are consumed.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets and Depreciation

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

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

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

G. Intergovernmental Revenues

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

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

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

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

H. Net Position

Net position represents the difference between assets and liabilities. Invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by TCS or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Operating Revenues and Expenses

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

J. Estimates

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

3. DEPOSITS AND INVESTMENTS

Deposits with Financial Institutions

Deposits: The carrying value of TCS's deposits are \$338,912, and the bank balance totaled \$356,506, all of which was covered by federal depository insurance, based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2021.

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

4. INTERGOVERNMENTAL RECEIVABLE

At June 30, 2021, TCS had an intergovernmental receivable in the amount of \$239,816 including federal grants due, but not received by year end. The intergovernmental receivable is collectible in the next operating cycle.

5. ACCOUNTS AND INTERGOVERNMENTAL PAYABLE

Accounts and Intergovernmental Payable consists of obligations at June 30, 2021 incurred during the normal course of conducting operations.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

6. CAPITAL ASSETS

For the year ended June 30, 2021, TCS' capital assets consisted of the following:

	<u>Balance 6/30/2020</u>	<u>Additions</u>	<u>Deletions</u>		<u>Balance 6/30/2021</u>
Capital Assets Not being Depreciated:					
Land	\$111,600	\$ 0	0	\$	111,600
Capital Assets Being Depreciated:					
Buildings	443,400	0	0		443,400
Computers & Equipment	315,266	65,104	(241,051)		139,319
Textbooks	64,205	0	(64,205)		0
Total Capital Assets	<u>822,871</u>	<u>65,104</u>	<u>(305,256)</u>		<u>582,719</u>
Less Accumulated Depreciation:					
Buildings	(53,019)	(11,369)	0		(64,388)
Computers & Equipment	(293,198)	(19,079)	235,310		(76,967)
Textbooks	(64,205)	0	64,205		0
Total Accumulated Depreciation	<u>(410,422)</u>	<u>(30,448)</u>	<u>299,515</u>		<u>(141,355)</u>
Total Capital Assets Being Depreciated Net	<u>412,449</u>	<u>34,656</u>	<u>(5,741)</u>		<u>441,364</u>
Total Capital Assets, Net	<u>\$ 524,049</u>	<u>\$ 34,656</u>	<u>\$ (5,741)</u>		<u>\$ 552,964</u>

7. RISK MANAGEMENT

Insurance Coverage

TCS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2021, TCS contracted with the Philadelphia Insurance Company for the following insurance coverage:

Commercial General Liability per occurrence	\$1,000,000
Commercial General Liability aggregate	2,000,000
Umbrella Liability per occurrence (\$10,000 self-insured retention)	5,000,000

The amount of settlements did not exceed insurance coverage for any of the past three years. The Umbrella Liability per occurrence coverage was reduced \$1,000,000 from the prior year.

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

8. CONTINGENCIES

A. Grants

TCS received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of TCS at June 30, 2021, if applicable, cannot be determined at this time.

B. State Funding

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

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on TCS for fiscal year 2021.

As of the date of this report, all ODE adjustments for fiscal year 2021 have been completed.

In addition, TCS contracts with their Sponsor and Management Company that requires payment based on revenues received from the State. As discussed above, all ODE adjustments through fiscal year 2021 have been completed. A reconciliation between payments previously made and the FTE adjustments has taken place with these contracts.

C. Loan Guarantor

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

9. SPONSOR

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

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

9. SPONSOR (Continued)

On July 1, 2014, the agreement was extended another three years through June 30, 2017, which was subsequently renewed for an additional 2-year period ending June 30, 2019. A three year extension has been approved ending June 30, 2022.

TCS paid fees to the Sponsor amounting to \$82,973, or approximately 3% of Foundation, for the year ended June 30, 2021. The payments are reported in the Statement of Revenue, Expenses, and Change in Net Position as part of Purchased Services- Professional Services.

10. MANAGEMENT AGREEMENT WITH THE GRAHAM SCHOOL

Effective July 1, 2007, TCS entered into a two year Management Agreement (the Agreement) with TGS. The Agreement's term ran through June 30, 2009 and was subsequently renewed on July 8, 2009 and modified on August 12, 2009 to cover the periods ending January 31, 2010 and December 31, 2010 respectively. On July 21, 2010, the TCS Board approved a modified agreement with TGS to commence July 1, 2010 through December 31, 2012, which further defined the roles of TGS and TCS in the agreement. In December 2012, the board approved to contract to continue to June 30, 2014. Since June of 2014, the board has approved one year renewals annually. Per the contract, TGS receives a base fee of three (3) percent up of TCS' state foundation, and reimbursement of all direct costs for expenses incurred under the Federal Title program. TGS also receives up to ninety-five (95) percent of TCS' federal and state awards, after a minimum of five (5) percent is spent by TCS to pay its direct expenses. TCS management fee expense for the fiscal year total \$2,407,571, as reported in the Statement of Revenues, Expenses and Changes in Net Position. Of this fee, \$1,899,216 was for general fund related fees and \$421,049 was for grant related reimbursements. The remainder of the expense was for base licensing fees in the amount of \$87,306.

11. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2021, TGS paid the following expenses on-behalf of TCS:

	Regular Instruction	Special Instruction	Support Services	Total
<i>Direct expenses:</i>				
Salaries & wages (100 object codes)	\$ 1,018,805	\$ 156,560	\$ 536,021	\$ 1,711,386
Employees' benefits (200 object codes)	\$ 316,340	\$ 48,613	\$ 166,435	\$ 531,388
<i>Indirect expenses:</i>				
Overhead	\$ 306,710	\$ 46,006	\$ 158,467	\$ 511,183
Total expenses	\$ 1,641,855	\$ 251,179	\$ 860,923	\$ 2,753,957

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

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

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2021*

12. DEBT OBLIGATIONS

At June 30, 2021, the following table represents TCS debt issuances:

	Principal Outstanding 6/30/2020	Additions	Deductions	Principal Outstanding 6/30/2021	Amount Due in One Year
Notes Payable	\$ 437,649	\$ 0	\$ (437,649)	\$ 0	\$ 0

In March 2017, TCS entered into a promissory note with The Columbus Foundation in the amount of \$500,000 to be repaid with interest at a rate of 3% with a maturity date of March 31, 2022. The purpose of the note was to acquire the building TCS currently occupies. During fiscal year 2021, The Columbus Foundation forgave \$100,000 of the principal balance and the remainder of the principal balance was paid off.

12. COVID-19

The United State and the State of Ohio declared a state of emergency in March, 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021 while the national state of emergency continues. During fiscal year 2021, TCS received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

13. SUBSEQUENT EVENT

For fiscal year 2022, community school foundation funding received from the State of Ohio will be funded using a direct funding model. For fiscal year 2021 and prior, the amounts related to students who were residents of a particular school district were funded to the school district, who, in turn, made the payment to the respective community school. This new funding system calculates a unique base cost for each community school. Any change in funding will be subject to a phase in percentage of 16.67 percent for fiscal year 2022 and 33.33 percent for fiscal year 2023.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Charles School at Ohio Dominican University, Franklin County, Ohio (TCS) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise TCS's basic financial statements, and have issued our report thereon dated December 9, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered TCS's internal control over financial reporting (internal control) as a basis for designing 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 TCS's internal control. Accordingly, we do not express an opinion on the effectiveness of TCS's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
December 9, 2021

OHIO AUDITOR OF STATE KEITH FABER



**THE CHARLES SCHOOL AT OHIO DOMINICAN UNIVERSITY
FRANKLIN COUNTY**

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/6/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov