Family Learning Center

Lucas County, Ohio

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, Inc.
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Mary Taylor, CPA
Auditor of State

Governing Board
Family Learning Center
1501 Monroe Street, 2nd Floor
Toledo, Ohio 43624

We have reviewed the *Independent Auditor's Report* of the Family Learning Center, Lucas County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Family Learning Center is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 27, 2008

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Family Learning Center
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For the Fiscal Year Ended June 30, 2007

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Member American Institute of Certified Public Accountants

Member Ohio Society of Certified Public Accountants

Independent Auditor's Report

Family Learning Center
Lucas County
1501 Monroe Street, 2nd Floor
Toledo, Ohio 43624-1752

We have audited the financial statements of the business-type activities of the Family Learning Center (the Academy), as of and for the year ended June 30, 2007, which comprise the Academy's basic financial statements 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 *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 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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 business type activities of the Academy, as of June 30, 2007, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008, on our consideration of the Academy'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of federal awards expenditures has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.

March 31, 2008

Family Learning Center
Lucas County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

The discussion and analysis of the Family Learning Center's (the Academy) financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2007. 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

- Total Assets were $324,576.
- Total Liabilities were $697,172.
- Net Assets had a deficit ($372,596).
- Total Change in Net Assets was ($160,624).

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and statement of cash flows.

Reporting the Academy as a Whole

One of the most important questions asked about the Academy is "As a whole, what is the Academy's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets – as reported in the statement of net assets – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provides and the safety of the Academy, qualifications of staff, and retention of students and staff to assess the overall health of the Academy.

The statement of net assets and the statement of activities report the activities for the Academy, which encompasses all the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

Family Learning Center
Lucas County

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

Table 1 provides a summary of the Academy's net assets for fiscal year 2007 compared to fiscal year 2006:

Table 1
Net Assets

	2007	2006*
Assets		
Current Assets	$ 106,669	$ 165,019
Noncurrent Assets	217,907	163,945
Total Assets	324,576	328,964
Liabilities		
Current Liabilities	559,709	373,245
Noncurrent Liabilities	137,463	167,691
Total Liabilities	697,172	540,936
Net Assets		
Invested in Capital Assets, Net of Related Debt	67,264	(16,926)
Restricted for Grants	1,646	56,665
Unrestricted (Deficit)	(441,506)	(251,711)
Total Net Assets	$ (372,596)	$ (211,972)

*Certain reclassifications have been made for consistency.

Total assets decreased by $4,388, which represents a 1.3 percent decrease from fiscal year 2006. While cash and cash equivalents decreased by $55,875, total receivables also decreased by $5,627. Total liabilities increased by $156,236, which represents a 28.9 increase from 2006. The Academy's net assets decreased by $160,624.

Table 2 shows the changes in net assets for fiscal year 2007 as compared to fiscal year 2006.

Table 2
Change in Net Assets

	2007	2006
Revenues		
Operating Revenues:		
Foundation Payments	$2,167,793	$2,101,394
Poverty Based Assistance	-	27,319
Special Education	184,846	186,383
Food Services	1,970	12,915
Classroom Fees	7,684	4,961
Other Operating Revenues	19,623	11,300
Non-Operating Revenues:		
Federal and State Grants	628,142	573,464
Contributions and Donations	9,681	6,000
Interest	1,826	176
Total Revenues	3,021,565	2,923,912
Expenses		
Operating Expenses		
Salaries	1,590,788	1,575,958
Fringe Benefits	348,452	422,519
Purchased Services	857,848	698,845
Materials and Supplies	285,702	246,663
Depreciation	56,190	65,160
Other Expenses	20,461	10,268
Non-Operating Expenses		
Other Expenses	22,748	21,256
Total Expenses	3,182,189	3,040,669
Decrease in Net Assets	($160,624)	($116,757)

There was an increase in revenues of $97,653 and an increase in expenses of $141,520 from fiscal year 2006. Of the increase in revenues, federal and state grant revenue increased by $54,678. Community Schools receive no support from tax revenues.

The expense for salaries increased by $14,830 and the expense for fringe benefits decreased by $74,067 from fiscal year 2006. Purchased Services increased by $159,003 which was mainly due to legal fees spent on trying to purchase school facilities.

Capital Assets

At the end of fiscal year 2007 the Academy had $481,301 (net of $276,574 in accumulated depreciation) invested in furniture, fixtures and equipment and leasehold improvements. Table 3 shows fiscal year 2007 balances compared to fiscal year 2006:

Table 3
Capital Assets
(Net of Depreciation)

	2007	2006
Furniture, Fixtures, and Equipment	$ 179,253	$ 100,352
Leasehold Improvements	25,474	50,413
Totals	$ 204,727	$ 150,765

For more information on capital assets, see Note 5 to the basic financial statements.

Debt

At June 30, 2007 the Academy had $200,009 in outstanding debt, $111,505 of which is due within one year. Table 4 summarizes the debt outstanding.

Table 4
Outstanding Debt

	2006	2006
Note Payable	$ 62,546	$ 64,950
Long Term Installment Note	82,896	101,863
Capital Lease Payable	54,567	65,826
Total Outstanding Debt	$ 200,009	$ 232,639

For more information on debt, see Note 6 to the basic financial statements.

Current Financial Issues

Family Learning Center, also known as Alliance Academy, was formed in fiscal year 2000. During the 2006-2007 school year, there were approximately 319 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for fiscal year 2007 amounted to $5,403 per student. In August 2007 financial affairs were taken over by Leona Group, LLC.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens 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 information contact Mr. Don Ash, Director of Budget and Finance of Leona Group, LLC, 4660 S. Hagadorn Road, Suite 500, East Lansing, MI 48823 or e-mail at don.ash@leonagroup.com. Kerry Keese, School Leader of Alliance Academy and an employee of Leona Group, LLC can also be contacted at Alliance Academy, 1501 Monroe Street, 2nd Floor, Toledo, Ohio 43624 or at 419-418-5150.

Family Learning Center
Lucas County

Statement of Net Assets
As of June 30, 2007

Assets:		
Current Assets:		
Cash and Cash Equivalents	$	26,052
Cash Held in Escrow		2,000
Receivables:		
Intergovernmental		74,111
Prepaid Items		4,506
Total Current Assets		106,669
Noncurrent Assets:		
Security Deposits		13,180
Capital Assets, Net of Accumulated Depreciation		204,727
Total Noncurrent Assets		217,907
Total Assets		324,576
Liabilities:		
Current Liabilities:		
Accounts Payable		378,593
Accrued Wages and Benefits Payable		85,348
Compensated Absences Payable		965
Due to Students		2,022
Intergovernmental Payable		29,911
Accrued Interest Payable		324
Notes Payable		62,546
Total Current Liabilities		559,709
Noncurrent Liabilities:		
Due Within One Year		48,959
Due In More than One Year		88,504
Total Noncurrent Liabilities		137,463
Total Liabilities		697,172
Net Assets:		
Invested In Capital Assets, Net of Debt		67,264
Restricted for Grants		1,646
Unrestricted (Deficit)		(441,506)
Total Net Assets	$	(372,596)

See Accompanying Notes to the Basic Financial Statements

Family Learning Center
Lucas County

Statement of Revenues, Expenses and Changes in Net Assets
For the Fiscal Year Ended June 30, 2007

Operating Revenues:		
Foundation Payments	$	2,167,793
Special Education		184,846
Food Services		1,970
Classroom Fees		7,684
Other Operating Revenues		19,623
Total Operating Revenues		2,381,916
Operating Expenses:		
Salaries		1,590,788
Fringe Benefits		348,452
Purchased Services		857,848
Materials and Supplies		285,702
Depreciation		56,190
Other Operating Expenses		20,461
Total Operating Expenses		3,159,441
Operating Income		(777,525)
Non-Operating Revenues and Expenses:		
Operating Grants - Federal		573,551
Operating Grants - State		54,591
Contributions and Donations		9,681
Interest		1,826
Interest and Fiscal Charges		(22,748)
Total Non-Operating Revenues and (Expenses)		616,901
Change in Net Assets		(160,624)
Net Assets at Beginning of Year		(211,972)
Net Assets at End of Year	$	(372,596)

See Accompanying Notes to the Basic Financial Statements

Family Learning Center
Lucas County

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 2,338,893
Cash Received from Classroom Fees	7,684
Cash Received from Other Operating Sources	29,152
Cash Payments to Suppliers for Goods and Services	(966,385)
Cash Payments to Employees for Services and Benefits	(2,060,887)
Net Cash Used for Operating Activities	(651,543)
Cash Flows from Noncapital Financing Activities:	
Cash Received from Operating Grants - Federal	585,365
Cash Received from Operating Grants - State	54,591
Cash Received from Contributions and Donations	9,681
Net Cash Provided by Noncapital Financing Activities	649,637
Cash Flows from Capital and Related Financing Activities:	
Cash Payments for Capital Acquisitions	(577)
Cash Payments for Principal Payments	(32,632)
Cash Payments for Interest Payments	(22,586)
Net Cash Used for Capital and Related Financing Activities	(55,795)
Cash Flows from Investing Activities:	
Cash Received from Interest on Investments	1,826
Net Decrease in Cash and Cash Equivalents	(55,875)
Cash and Cash Equivalents at Beginning of Year	83,927
Cash and Cash Equivalents at End of Year	$ 28,052

(Continued)

Family Learning Center
Lucas County

Statement of Cash Flows
For the Fiscal Year Ended June 30, 2007
(Continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating Loss	$	(777,525)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:		
Depreciation		56,190
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable		7,559
Increase in Intergovernmental Receivable		(13,746)
Increase in Prepaid Items		(3,152)
Increase in Accounts Payable		201,591
Decrease in Accrued Wages Payable		(10,208)
Decrease in Compensated Absences Payable		(21,998)
Decrease in Due to Students		(813)
Decrease in Intergovernmental Payable		(89,441)
Total Adjustments		125,982
Net Cash Used for Operating Activities	$	(651,543)

See Accompanying Notes to the Basic Financial Statements

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Family Learning Center, also referred to as Alliance Academy, (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy 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 the Academy's tax-exempt status. The Academy's objective is to serve students who are not thriving in a traditional setting, desire meaningful learning experiences and wish to regain a level of control over their educational experience. The Academy encompasses a safe community environment, discovery-based methods, parenting education, critical thinking, and problem solving. The Academy's programs are currently available to students in grades K - 12. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

Beginning July 1, 2006, the Academy contracted with Buckeye Community Hope Foundation to become its sponsor. The initial term of the contract ends on June 30, 2009. At July 1, 2006 the Academy also brought fiscal operations in-house and discontinued its relationship with Lucas County Educational Service Center as its fiscal agent.

The Academy 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. The Governing Board controls the Academy's one instructional/support facility staffed by 20 non-certified and 40 certificated full time teaching personnel who provide services to 319 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (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 applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB statements and interpretations issued after November 30, 1989 to its proprietary activities. The more significant of the Academy's 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 changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statements of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

The Academy is required to submit a five-year budget forecast with the Ohio Department of Education, c/o Superintendent of Public Instruction.

E. Cash and Cash Equivalents

All monies received by the Academy are maintained in separate bank accounts in the Academy's name. Monies for the Academy are maintained in these accounts or temporarily used to purchase short-term investments.

For the purposes of the statement of cash flows and for presentation on the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the fiscal year in which services are consumed.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of five hundred dollars. The Academy does not possess any infrastructure. 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 life are not.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Leasehold Improvements	5 years
Furniture, Fixtures and Equipment	5 years

H. Compensated Absences

Vacation benefits, personal leave, and professional leave are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to service already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation, personal and professional time when earned for all employees.

I. Escrow/Security Deposits

The Academy entered into a lease for the use of the building for the operation of the Academy. Based on the lease agreement a security deposit was required to be paid at the signing of the agreement. The deposit totaled $13,180, and is held by the lessor. Also, the Academy has deposited $2,000 towards the purchase of its school building that is being held in an escrow account.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their used either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

L. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program, the Poverty Basic Assistance Program, and the State Special Education Program. Revenues from these programs are recognized as operating revenues (foundation payments) in the accounting period in which they are earned and become measurable.

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

M. Estimates

The preparation of 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 accompanying notes. Actual results may differ from those estimates.

3. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2007, the carrying amount of the Academy's deposits was $28,052 and the bank balance was $49,357. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures," as of June 30, 2007, $49,357 was covered by the Federal Depository Insurance Corporation and was not exposed to custodial credit risk.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover its deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

4. RECEIVABLES

Receivables at June 30, 2007, consisted of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Receivables	Amount
Intergovernmental Receivables:	
Core Implementation	$ 1,865
Title I 2006	37,524
Title IV 2006	3,821
Title IIA 2006	6,069
Title IID 2006	4,339
IDEA-B 2007	808
Title V 2007	758
STRS Overpayment	18,927
Total Intergovernmental Receivables	$ 74,111

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 06/30/06	Additions	Deductions	Balance 06/30/07
Capital Assets Being Depreciation:				
Furniture, Fixtures, and Equipment	$ 211,941	$ 110,152	$ -	$ 322,093
Leasehold Improvements	159,208	-	-	159,208
Total Capital Assets Being Depreciated	371,149	110,152	-	481,301
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(111,589)	(31,251)	-	$ (142,840)
Leasehold Improvements	(108,795)	(24,939)	-	(133,734)
Total Accumulated Depreciation	(220,384)	(56,190)	-	(276,574)
Capital Assets, Net of A/D	$ 150,765	$ 53,962	$ -	$ 204,727

6. NOTES PAYABLE

On October 23, 2003, the Academy entered into a revolving line of credit, establishing a note for $50,000 with no maturity date and is payable on demand. On September 15, 2005, The Academy added $15,000 to the line of credit. As of June 30, 2007, $62,546 was the current balance on the note at an interest rate of 10.25%. The loan is collateralized by all business assets.

Short Term Debt	Balance 7/1/2006	Additions	Reductions	Balance 6/30/2007
Note Payable	$ 64,950	$ -	$ 2,404	$ 62,546
	$ 64,950	$ -	$ 2,404	$ 62,546

On August 28, 2003, the Academy entered into a note, in the amount of $150,000. This note was used primarily for facility improvements. As of June 30, 2007, $82,896 was the current balance on the second note at an interest rate of 10.25. The loan matures on August 28, 2010, and is collateralized by all business assets.

Long Term Debt	Balance 7/1/2006	Additions	Reductions	Balance 6/30/2007	Amounts Due in One Year
Note Payable	$ 101,863	$ -	$ 18,967	$ 82,896	$ 29,524
Capital Lease Obligations	65,828	-	11,261	54,567	19,435
Total	$ 167,691	$ -	$ 30,228	$ 137,463	$ 48,959

The following is a schedule of the Academy's long-term notes payable requirements as of June 30, 2007:

Fiscal Year Ending June 30,	Principal	Interest
2008	$ 29,524	$ 11,124
2009	23,819	3,938
2010	25,288	1,085
2011	4,265	32
Total	$ 82,896	$ 16,179

7. 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. For the fiscal year ended 2007, the Academy contracted with the Cincinnati Insurance Company and the Federal Insurance Company for the following insurance coverage:

Commercial General Liability per Occurrence ($500 Deductible)	$1,000,000
Commercial General Liability Aggregate	2,000,000
Director & Officer Liability per Occurrence ($5,000 Deductible)	1,000,000
Director & Officer Liability Aggregate	1,000,000

The Academy owns no property, but leases a facility located at 1501 Monroe Street, Toledo, Ohio. (See Note 14). Settled claims have not exceeded coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior fiscal year.

B. Workers' Compensation

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

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the Academy was required to contribute an actuarially determined rate. The employer rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The Academy's required contribution for pension obligations to SERS for the fiscal years ending June 30, 2007, 2006 and 2005 were $44,004, $37,021, and $37,171, respectively; 78.9 percent has been contributed for fiscal years 2007, 2006 and 2005. $8,304 represents the unpaid contribution for the fiscal year 2007. The balance outstanding is reflected as an intergovernmental payable.

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement Systems

The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other agencies controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of the DC Plan and the DB. In the Combined Plan, the member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31^{st} year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits – The member allocates Member contributions, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

8. DEFINED BENEFIT PENSION PLANS (Continued)

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio Law health care benefits are not guaranteed.

A Defined Benefit 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. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

For the fiscal year ended June 30, 2007, 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. The Academy's required contribution for pension obligations for the fiscal years ended June 30, 2007, 2006 and 2005 were $156,108, $170,717 and $108,344, respectively; 100 percent has been contributed for fiscal years 2007, 2006 and 2005. $18,927 is an overpayment made to STRS and the amount is reflected in Intergovernmental Receivables.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2007 Comprehensive Annual Financial Report will be available after January 1, 2008. Additional information or copies of STRS Ohio's 2007 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio Website at www.strsoh.org.

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2005, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2007, the healthcare allocation is 3.32 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Net health care costs for the fiscal year ending June 30, 2007, were $127,615,614. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2007, the value of the health care fund was $386.4 million. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of recipients currently receiving health care benefits is approximately 55,818.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2007, the Board allocated employer contributions equal to 3.32 percent of covered payroll and adding the surcharge due to the Health Care Reserve Fund. For the Academy, the amount to fund health care benefits, including surcharge, equaled $20,104 for the fiscal year ended June 30, 2007.

B. State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current plan includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.) the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio Law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

9. POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For fiscal year June 30, 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Stabilization Fund was $4.1 billion as of June 30, 2007. For the Academy, this amount equaled $12,008 for the fiscal year ended June 30, 2007.

For the fiscal year ended June 30, 2007 net health care costs paid by STRS Ohio were $265,558,000. There were 122,934 eligible benefit recipients.

10. OTHER EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation are derived from policies and procedures approved by the Governing Board. Unused vacation leave is shown as a current liability.

The criteria for determining personal leave are derived from policies and procedures approved by the Governing Board. All full time employees earn one day of personal leave each quarter. Employees may carry one day of each into the new year. Unused personal leave are shown as a current liability.

11. CONTINGENCIES

A. Grants

The Academy receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the operating fund. However, in the opinion of management, any such disallowed claims will not have a material effect, if any, on any of the financial statements included herein or on the overall financial position of the Academy at June 30, 2007.

B. Academy Funding

The Ohio Department of Education conducts reviews of 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.

C. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001 alleging that Ohio's Community (i.e., Charter) School programs violate the State Constitution and state laws. On April 23, 2004, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the State public educational system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any, on the Academy is not presently determinable.

11. CONTINGENCIES (Continued)

C. Litigation

The Academy is currently party to legal proceedings. However, it is the opinion of management that any potential claims will not have a material adverse effect on the financial statements.

12. PURCHASED SERVICES

For the period July 1, 2006 through June 30, 2007, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	$	394,662
Property Services		342,363
Travel Mileage/Meeting Expense		61,911
Communications		19,745
Utilities		14,988
Contracted Craft or Trade Services		24,179
Total Purchased Services	$	857,848

13. CAPITALIZED LEASE – LESSEE DISCLOSURE

The Academy entered into capital leases for the equipment. These leases meet the criteria of capital leases as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital leases have been recorded as capital assets at the present value of the future minimum lease payments as of the inception date. Payments made totaled $11,261 for the fiscal year ended June 30, 2007.

The following is a schedule of the future minimum lease payments required under the capital leases and present value of the minimum lease payment as of June 30, 2007:

Year Ending June 30,		Capital Leases
2008	$	24,574
2009		19,660
2010		14,499
2011		4,506
Minimum Lease Payments		63,239
Less amount representing interest at the Academy's incremental borrowing rate of interest		(8,672)
Present value of minimum lease payments	$	54,567

14. OPERATING LEASES – LESSEE DISCLOSURE

The Academy entered into a lease for the period August 1, 2005 through July 31, 2006 with Luttenberger & Company to lease space to house the Academy. In February 2006 the Academy renegotiated the lease for a term commencing August 15, 2005 and terminating August 14, 2006 with four one year renewal terms through August 14, 2010. From August 15, 2005 through August 14, 2007, $20,306 was paid for the second floor Junior High and High School space. Additional expenses for elementary space was $18,400 per month with a 50% reduction applied for a total actual rent paid of $9,100 per month. Rent for renewal terms is to be negotiated but not to exceed $18,400 per month for the first renewal and not to exceed a 3% increase for each subsequent renewal. In March 2007 foreclosure was made against the landlord and monthly payments were made to American First Federal in the same amounts. Payments made totaled $388,714 for the fiscal year ended June 30, 2007.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2007:

Fiscal Year Ending,	Facility Rental
2008	$ 358,705
2009	360,108
2010	360,108
2011	360,108
2012	60,018
Total	$ 1,499,047

15. RELATED PARTY TRANSACTIONS

Letha Ferguson, Education Director, is the sister of Board Member Marsha Penner. Ms. Ferguson received payments or had amounts paid on her behalf totaling $59,017 for the following expenses: Salary of $51,769 and employee benefits of $7,248.

16. SUBSEQUENT EVENTS

In August 2007 an agreement was entered into with Leona Group, LLC to take over operations of the Academy. Don Ash of Leona Group, LLC is the Director of Budget and Finance and is responsible for the fiscal operations and Kerry Keese is School Leader of the Academy. The Leona Group, LLC make their offices at 4660 S. Hagadorn Road, Suite 500, East Lansing, MI 48823. Their telephone number is 517-333-9030

18. MANAGEMENT'S PLANS REGARDING ACCUMULATED DEFICIT

The Academy increased the 2007 accumulated deficit by $160,624 to $372,596, and has a decrease in net assets of $160,624 for the fiscal year ended June 30, 2007. It is management's plan to eliminate the deficit with the following actions:

- Increase student population
- Control spending through efficient use of personnel

Family Learning Center
Lucas County

Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE				
Passed through Ohio Department of Education:				
Nutrition Cluster				
School Breakfast Program	05PU	10.553	$ 74,566	$ 74,566
National School Lunch Program	LLP4	10.555	115,404	115,404
Total Nutrition Cluster			189,970	189,970
Total United States Department of Agriculture			189,970	189,970
UNITED STATES DEPARTMENT OF EDUCATION				
Passed through Ohio Department of Education				
Special Education- Grants to States	6BSF	84.027	104,479	105,735
Title I Grants to Local Educational Agencies	C1S1	84.010	341,621	376,493
Safe and Drug Free Schools and Communities - State Grants	DRS1	84.186	1,990	1,807
State Grants for Innovative Programs	C2S1	84.298	77	170
Education Technology State Grants	TJS1	84.318	6,114	2,194
Improving Teacher Quality State Grants	TRS1	84.367	21,451	29,106
Total United States Department of Education			475,732	515,505
Total Federal Financial Assistance			$ 665,702	$ 705,475

See Notes to the Schedule of Federal Awards Expenditures.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures (the schedule) summarizes activity of the Academy's federal awards programs. The schedule has been prepared on the cash basis of accounting.

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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*

Family Learning Center
Lucas County
1501 Monroe Street, 2nd Floor
Toledo, Ohio 43624-1752

We have audited the accompanying financial statements of the business-type activities of the Family Learning Center, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2007, and have issued our report thereon dated March 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These items are identified in the accompanying schedule of findings and questioned costs as items 2007-001, 2007-002, 2007-003, and 2007-004.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*. This item has been identified in the accompanying schedule of findings and questioned costs as item 2007-005.

We noted certain matters that we reported to management of the Academy in a separate letter dated March 31, 2008.

The Academy's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
March 31, 2008

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Family Learning Center
1501 Monroe Street, 2nd Floor
Toledo, Ohio 43624-1752

Compliance

We have audited the compliance of the Family Learning Center (the Academy) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Academy's compliance with those requirements.

In our opinion, the Academy complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

Internal Control Over Compliance (Continued)

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Academy's internal control.

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

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

Balestra, Harr & Scherer

Balestra, Harr & Scherer, CPAs, Inc.
March 31, 2008

Family Learning Center
For the Fiscal Year Ended 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	CFDA # 84.010 Title I Grants to Local Educational Agencies
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Family Learning Center
For the Fiscal Year Ended June 30, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2007-001 – Significant Deficiency – Misstatements

Immaterial misstatements were identified during the course of the audit which were not prevented or detected by the Academy's internal controls over financial reporting. Misstatements were identified in the following areas:

- Intergovernmental Receivable
- Compensated Absences

Correction of immaterial items was waived.

The Academy should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response:
We plan to use our existing controls over financial reporting to record transactions accurately. Several individuals with the current management company review the recording of transactions, especially at year-end.

Finding 2007-002 – Significant Deficiency – Missing Supporting Documentation

During the course of the audit, the auditors noted disbursements for which the Academy could not locate original supporting documentation. Failure to maintain supporting documentation results in an inadequate audit trail. Disbursements without supporting documentation cannot be examined for accuracy and completeness of payment or assessed for proper public purpose. The Academy should implement procedures to ensure that all supporting documentation is properly maintained.

Client Response:
The financial records referred to were the responsibility of the previous managers. The current management company will make sure that all financial records are maintained in an orderly fashion and available for inspection.

Finding 2007-003 – Significant Deficiency – Preparation of Annual Financial Report

Financial reporting is designed to provide management, citizens and oversight agencies with an overview of the Academy's finances and shows the Academy's accountability for the money it receives. Information is more pertinent the closer to the fiscal year end. Such information becomes less relevant as time passes. Annual financial information was not prepared timely resulting in non-compliance with the Ohio Revised Code. The Academy also risked being declared unauditable by the Auditor of State, which could have resulted in significant funding implications. The Academy lacks policies and procedures over financial reporting. The Academy should implement procedures to ensure that its annual financial report is prepared in a timely fashion.

Client Response:
The current management company will make every effort to prepare the annual financial report on time. The current management company is in control of all financial information for fiscal year 2008 (not so in fiscal year 2007).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(CONTINUED)

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding 2007-004 – Significant Deficiency – Support for Compensated Absences

During testing it was noted that the Academy did not maintain leave forms for all employees during the audit period. Furthermore, the Academy did not maintain a supporting schedule to identify leave balances for personnel. Failure to maintain such documents results in an inadequate audit trail and may result in inaccurate or incomplete balances. The Academy should implement procedures to ensure that leave forms are completed for all employee leave used and should maintain a supporting schedule to track leave balances for personnel.

Client Response:
The Board is no longer the employer of record. The current employer of record has an existing leave request and monitoring process that maintains a supporting schedule to identify leave balances for personnel, and for maintaining leave forms for all employees.

This process is facilitated at the school level through providing leave request forms, which are approved by the appropriate supervisor and recorded within the human resources department of the employer of record. A running balance of available leave time is provided to all eligible employees on pay stubs and is also available upon request.

Finding 2007-005 – Material Non-compliance – Filing of Annual Financial Report

Ohio Revised Code Section 117.38 states that GAAP-basis entities must file annual reports within 150 days of fiscal year end. Any public office not filing the report by the required date shall pay a penalty of twenty-five dollars for each day the report remains unfiled, not to exceed seven hundred fifty dollars. The AOS may waive these penalties, upon the filing of the past due financial report. The Academy failed to file its annual financial report within the 150 day time frame. The Academy should implement procedures to ensure that annual financial reports are prepared as required.

Client Response:
The current management company plans on filing the reports required within 150 days of fiscal year-end. A change in management made adherence to the rule difficult in fiscal year 2007.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

FAMILY LEARNING CENTER

LUCAS 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
JUNE 10, 2008

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