EDGE LEARNING INC.
d.b.a. THE EDGE ACADEMY
SUMMIT COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2008-2007

Mary Taylor, CPA
Auditor of State

EDGE LEARNING, INC.
d.b.a. THE EDGE ACADEMY
SUMMIT COUNTY

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INDEPENDENT ACCOUNTANTS' REPORT

Edge Learning, Inc.
d.b.a. The Edge Academy
Summit County
92 North Union Street
Akron, Ohio 44304

To the Board of Directors:

We have audited the accompanying financial statements of Edge Learning, Inc. d.b.a. The Edge Academy, Summit County, Ohio (the Academy), as of and for the years ended June 30, 2008 and 2007, which collectively 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Edge Learning, Inc. d.b.a. The Edge Academy, Summit County, Ohio, as of June 30, 2008 and 2007, and the respective changes in financial position and cash flows, thereof for the years 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 February 17, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 17, 2009

EDGE LEARNING, INC.
DBA THE EDGE ACADEMY

YEARS ENDED JUNE 30, 2008 AND 2007

The management's discussion and analysis (MD&A) of the Edge Learning, Inc.'s (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal years ended June 30, 2008 and 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 basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- In total, net assets increased $60,002 and $19,782 which represents a 21.2% increase and 7.5% increase from 2007 and 2006, respectively.
- The assets increased $91,798 and decreased $(6,254) which represents a 23.1 increase and (1.6)% decrease from 2007 and 2006, respectively. This was primarily due to an increase in cash and receivables from 2007 and an increase in cash and a decrease from receivables in 2006.
- Liabilities increased $31,796 and decreased $(26,036), which represents a 28.0% increase and (18.7)% decrease from 2007 and 2006, respectively. The increase in liabilities is primarily due to the increase in accrued wages and benefits in 2008.

Using this Financial Report

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

The Academy uses enterprises presentation for all of its activities.

Statement of Net Assets

The Statement of Net Assets answers the question of how the Academy did financially during 2008 and 2007. These statements include 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.

EDGE LEARNING, INC.
DBA THE EDGE ACADEMY

YEARS ENDED JUNE 30, 2008 AND 2007

The table below provides a summary of the Academy's net assets for fiscal years 2008 and 2007.

Statement of Net Assets

	2008	2007
ASSETS		
Current assets	$ 441,335	$ 352,658
Capital assets, net	33,848	30,457
Other assets	13,608	13,878
TOTAL ASSETS	$ 488,791	$ 396,993
LIABILITIES		
Current liabilities	$ 145,363	$ 113,567
NET ASSETS		
Invested in capital assets	$ 33,848	$ 30,457
Unrestricted	309,580	252,969
TOTAL NET ASSETS	$ 343,428	$ 283,426

Total assets increased (decreased) $91,798 and $(6,254) for 2008 and 2007, respectively. This was primarily due to an increase in cash and receivables for 2008 and an increase in cash and decrease in receivables for 2007.

Statements of Revenues, Expenses and Changes in Net Assets

The table that follows shows the changes in net assets for fiscal years 2008 and 2007, as well as a listing of revenues and expenses. This change in net assets is important because it tells the reader that, as a whole, the financial position of the Academy 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.

Change in Net Assets

	2008	2007
OPERATING REVENUES		
Foundation payments	$ 1,703,998	$ 1,633,819
NON-OPERATING REVENUES		
Investment income	10,924	8,266
Unrealized (loss) gain on investments	(270)	1,029
Other	2,028	2,506
State and federal grants	407,614	405,604
TOTAL REVENUES	2,124,294	2,051,224
OPERATING EXPENSES		
Salaries	1,059,617	989,434
Retirement	128,860	180,746
Insurance	38,614	41,875
Rent	316,200	292,293
Purchased services	163,780	206,208
Materials and supplies	232,126	200,550
Utilities	50,045	48,252
Depreciation and amortization	2,064	2,418
Other operating expenses	72,986	69,666
TOTAL OPERATING EXPENSES	2,064,292	2,031,442
CHANGE IN NET ASSETS	$ 60,002	$ 19,782

The primary reason for the increase in overall revenues from 2007 was the increase in foundation payments and grants revenue due to a increase in the number of low income students reported. The Academy's most significant expenses, "Salaries" increased because of the increase in non-certified staff.

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the Academy and the sponsor, the Lucas County Educational Service Center, does not prescribe a budgetary process for the Academy.

Capital Assets

At the end of fiscal year 2008 the Academy had $33,848, invested in furniture and equipment and leasehold improvements (net of depreciation), which represented an increase of $3,391 from 2007. The table below shows the changes in Capital Assets.

Capital Assets (Net of Depreciation)

	2008	2007
Furniture and Equipment	$ 25	$ 324
Leasehold Improvements	33,823	30,133
	$ 33,848	$ 30,457

For more information on capital assets, see Note B in the Notes to the Basic Financial Statements.

Current Financial Issues

The Academy received revenue for 232 students in 2008 (an increase from 2007 of 2) and continues to enroll students on a daily basis. State law governing community schools allows for the School to have open enrollment across traditional school district boundaries. The Academy receives its support almost entirely from State Aid. Per pupil revenue from State Aid for the Academy averaged $7,272 in fiscal year 2008 with a 5% increase in State Basic Aid planned in fiscal year 2008. The Academy receives additional revenues from grant subsidies.

On July 1, 2005, the Academy contracted with the Lucas County Education Service Center as its sponsor. State law allows sponsors to assess the schools up to 3 % of State revenues as an oversight fee, a cost that was not incurred through the sponsorship by ODE. Lucas County Educational Service Center charged 1.5% of State Aid to be paid by the School for fiscal years 2008 and 2007, and will charge the same for fiscal year 2009.

Contacting the School's Financial Management

This financial report is designed to provide our readers 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 David Dudas, Director for the Edge Academy, 92 North Union Street, Akron, Ohio 44304 or e-mail at dave@edge4kids.org.

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

STATEMENTS OF NET ASSETS

	JUNE 30, 2008	JUNE 30, 2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 410,195	$ 352,658
State and federal grants receivable	31,140	0
TOTAL CURRENT ASSETS	441,335	352,658
PROPERTY AND EQUIPMENT		
Computer equipment	3,862	3,862
Furniture and equipment	2,994	2,994
Land improvements	33,023	33,023
Leasehold improvements	5,455	0
	45,334	39,879
Less: accumulated depreciation	(11,486)	(9,422)
	33,848	30,457
OTHER ASSETS		
Marketable securities	13,608	13,878
TOTAL ASSETS	$ 488,791	$ 396,993
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 29,770	$ 13,664
Accrued wages and benefits	115,593	99,903
TOTAL LIABILITIES	145,363	113,567
NET ASSETS		
Invested in capital assets	33,848	30,457
Unrestricted net assets	309,580	252,969
TOTAL NET ASSETS	$ 343,428	$ 283,426

See accompanying notes to the basic financial statements.

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS

	YEARS ENDED JUNE 30, 2008	2007
OPERATING REVENUES		
Foundation payments	$ 1,703,998	$ 1,633,819
Other operating revenues	2,028	2,506
TOTAL OPERATING REVENUES	1,706,026	1,636,325
OPERATING EXPENSES		
Salaries	1,059,617	989,434
Retirement	128,860	180,746
Insurance	38,614	41,875
Rent	316,200	292,293
Purchased services	163,780	206,208
Materials and supplies	232,126	200,550
Utilities	50,045	48,252
Depreciation and amortization	2,064	2,418
Other operating expenses	72,986	69,666
TOTAL OPERATING EXPENSES	2,064,292	2,031,442
OPERATING LOSS	(358,266)	(395,117)
NON-OPERATING REVENUES		
Investment income	10,924	8,266
Unrealized (loss) gain on investments	(270)	1,029
State and federal grants	407,614	405,604
	418,268	414,899
CHANGE IN NET ASSETS	60,002	19,782
NET ASSETS AT BEGINNING OF YEAR	283,426	263,644
NET ASSETS AT END OF YEAR	$ 343,428	$ 283,426

See accompanying notes to the basic financial statements.

EDGE LEARNING, INC.
dba THE EDGE ACADEMY

STATEMENTS OF CASH FLOWS

Increase (Decrease) in Cash and Cash Equivalents	YEARS ENDED JUNE 30, 2008	2007
Cash flows from operating activities:		
Cash received from State of Ohio	$ 1,687,154	$ 1,630,577
Cash payments to employees for services and benefits	(1,207,860)	(1,223,366)
Cash payments to suppliers for goods and services	(749,786)	(758,787)
Cash payments for other operating expenses	(72,787)	(69,666)
Cash received from other operating revenues	1,899	2,506
Net cash used in operating activities	(341,380)	(418,736)
Cash flows from noncapital financing activities:		
State and federal grants	393,448	459,473
Investment income	10,924	8,266
Net cash provided by noncapital financing activities	404,372	467,739
Cash flows from capital and related financing activities:		
Cash payments for capital acquisitions	(5,455)	0
Net cash used in capital and related financing activities	(5,455)	0
Net increase in cash and cash equivalents	57,537	49,003
Cash and cash equivalents at beginning of year	352,658	303,655
Cash and cash equivalents at end of year	$ 410,195	$ 352,658
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (358,266)	$ (395,117)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization	2,064	2,418
(Increase) decrease in assets:		
Accounts receivable	(16,973)	0
Increase (decrease) in liabilities:		
Accounts payable	16,105	(7,217)
Accrued wages and benefits	15,690	(15,579)
Deferred revenue	0	(3,241)
Total adjustments	16,886	(23,619)
Net cash used in operating activities	$ (341,380)	$ (418,736)

See accompanying notes to the basic financial statements.

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EDGE LEARNING, INC.
dba THE EDGE ACADEMY

JUNE 30, 2008 AND 2007

NOTE A—DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Edge Academy (the Academy) is a not-for-profit 501(c)(3) corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to educate students in grades kindergarten through eighth. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. Management is not aware of any course of action or series of events that have occurred that might adversely affect the Academy's tax-exempt status.

The Academy was approved for operation under a year to year contract with the Lucas County Educational Service Center for a period of five years commencing with the fiscal year ended June 30, 2004.

The Academy operates under the direction of a self-appointing, five-member Board of Trustees. The Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board controls the Academy's one instructional/support facility staffed by 7 non-certified and 22 certified full-time teaching personnel who provide services to approximately 232 students.

NOTE B—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 governmental nonprofit organizations. 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, provided they do not conflict with or contradict GASB pronouncements. The Academy does not apply FASB statements and interpretations issued after November 30, 1989. The more significant of the Academy's accounting policies are described below.

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

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

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

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 assets. Statement of revenues, expenses and changes in net assets present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. 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 they are earned, and expenses are recognized when they are incurred.

Budgetary Process: Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Academy's contract with the sponsor. The contract between the Academy and the sponsor, the Lucas County Educational Service Center, does not prescribe a budgetary process for the Academy.

Cash: Cash received by the Academy is maintained in a demand deposit account.

Marketable Securities: In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting of Certain Investments and for External Investment Pools, the investment in marketable securities is reported at fair value on the Statement of Net Assets.

Property and Equipment: Property and equipment are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The Academy maintains a capitalization threshold of $1,000, while repairs are charged to expense. The Academy does not possess any infrastructure and does not capitalize interest costs.

Depreciation of computer equipment, furniture and fixtures, land improvements and leasehold improvements is computed using the straight-line method based on estimated useful life of 5 to 20 years. Depreciation expense for the years ended June 30, 2008 and 2007 was $2,064 and $2,418, respectively.

Revenues: The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenue from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Purchased Services: The Academy purchased services in the amount of $163,780 and $206,208 for the years ended June 30, 2008 and 2007, respectively.

This includes the following at June 30:

	2008	2007
Busing and transportation fees	$ 12,067	$ 4,741
Professional development	19,687	30,207
School psychologist	0	557
Speech and hearing services	17,246	19,082
Professional and legal	15,941	34,273
Maintenance services	11,321	15,287
Other general services	87,518	102,061
	$ 163,780	$ 206,208

Compensated Absences: Each employee of the Academy is entitled to five paid sick days each year. Days not used during the year are not carried over to the following year and the Academy does not pay employees for unused sick days. Employees of the Academy do not earn vacation.

Net Assets: Net assets represent the difference between assets and liabilities. Net assets invested in 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 assets are reported as restricted when there are limitation imposed on their use 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.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—CONTINUED

Intergovernmental Revenue: The Academy currently participates in the State Foundation Program, the Federal Charter School Grant Program through the Ohio Department of Education, the Special Education grant and the EMIS grant. Revenues received from these programs are recognized as operating revenues in the accompanying financial statements. Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is 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 on a reimbursement basis.

Accrued Liabilities: The Academy has recognized certain expenses due but unpaid as of June 30, 2008. These expenses are reported as accrued liabilities in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C—DEPOSITS AND INVESTMENTS

Deposits: At fiscal year end June 30, 2008, the carrying amount of the Academy's deposits totaled $410,195 and $352,658 respectively, and the bank balances were $430,370 and $371,593, respectively. Investments with an original maturity of three months or less at the time they are purchased by the Academy are reported as cash equivalents. There are no statutory restrictions regarding the deposit and investment of funds by the Academy.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end June 30, 2008 and 2007, $310,195 and $252,658 of the Academy's bank balances were uninsured and uncollateralized. The securities were held by the pledging institutions' trust department. Institution noncompliance with federal requirements could potentially subject the Academy's deposits to a successful claim by the FDIC. The Academy has no deposit policy for custodial credit risk.

The Academy's investments at June 30, 2008 and 2007 consisted of marketable securities held by an investment firm's agent but not in the Academy's name.

NOTE C—DEPOSITS AND INVESTMENTS – CONTINUED

The Academy's investments are protected by the Securities Investor Protector Corporation (SIPC) against losses caused by the financial failure of the broker-dealer. SIPC was created by the Securities Investor Protections Act of 1970 and is neither a government or a regulatory authority, but a nonprofit, membership corporation, funded by its member securities broker-dealers. Customers of a failed firm receive all securities registered in their names or in the process of being so registered. Customers receive, on a pro rata basis, all remaining customer cash and securities held by the firm.

After the above distribution, SIPC funds are available to satisfy the remaining claims of each customer, up to a maximum of $500,000, including up to $100,000 on claims for cash (as a distinction from claims for securities). Any remaining assets after payment of liquidation expenses may be available to satisfy any remaining portion of customer claims on a pro rata basis with other creditors.
Investments: Marketable securities as of June 30 consist of Pepsico, Inc. stock valued as follows:

	2008	2007
Fair value when donated	$ 10,147	$ 10,147
Fair value at beginning of year	$ 13,878	$ 12,849
Fair value at end of year	13,608	13,878
Unrealized (loss) gain	$ (270)	$ 1,029

NOTE D—STATE AND FEDERAL GRANTS RECEIVABLE

Receivables at June 30, 2008 and 2007 consisted of state and federal grants. All state and federal grants are considered collectible in full, due to the stable condition of State programs, and the current year guarantee of federal funds.

NOTE E—RISK MANAGEMENT

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 fiscal years 2008 and 2007, the Academy contracted with Philadelphia Insurance Companies for property and general liability insurance with a $3,000,000 aggregate limit. Settled claims have not exceeded insurance coverage in any of the past three years.

Workers' Compensation: The Academy pays the State Workers' 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.

Employee Medical, Dental, and Vision Benefits: The Academy has contracted with a private carrier to provide its full-time salaried employees medical/surgical benefits and life insurance. The Academy paid premiums, up to $263 per month per employee, for this coverage.

NOTE F—DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14% of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal years 2008 and 2007, 9.16% and 10.68% of annual covered salary were the portions used to fund pension obligations, respectively. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were $6,988, $35,703, $19,772, respectively; 45% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

NOTE F – DEFINED BENEFIT PENSION PLANS – CONTINUED

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal years ended June 30, 2008 and 2007, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006, were $99,483, $116,131 and $121,301, respectively; 100% has been contributed for fiscal years 2008, 2007 and 2006.

NOTE G – POST EMPLOYMENT BENEFITS

School Employees Retirement System

Plan Description – The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14%of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008 and 2007, 4.18% and 3.32%, respectively of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008 and 2007, this amount was $1,037, and $1,975, respectively.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $3,189, $11,830, and $6,925 respectively; 45% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 % of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were $503, $2,352, and $1,661 respectively; 45% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

NOTE G – POST EMPLOYMENT BENEFITS - CONTINUED

State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 % of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were $7,653, $8,933, and $9,331 respectively; 100% has been contributed for fiscal years 2008, 2007 and 2006.

NOTE H—CONTINGENCIES

Grants: The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008.

NOTE I—RENTAL AGREEMENT

As of November 2006, the Academy entered into a three-year lease with Charter Development Foundation, Inc., (a related party) for the use of classrooms and office space. This lease commenced in December 2006. Monthly payments for the use of these facilities are $26,246. The lease expires on November 30, 2008, with no option to renew.

Total rent expense was $314,952 and $291,228 for the years ended June 30, 2008 and 2007, respectively.

NOTE J—RELATED PARTY TRANSACTIONS

The Academy has several leases with Charter Development Foundation, Inc., a not-for-profit organization established and managed by a Board member. (See Note I.) Also provided were computer training, computer software, and reimbursements for expenses paid on behalf of Edge Academy. Total non-rent related payments to Charter Development Foundation, Inc. was $0 for both years ended 2008 and 2007.

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

Edge Learning, Inc.
d.b.a. The Edge Academy
Summit County
92 North Union Street
Akron, Ohio 44304

To the Board of Directors:

We have audited the financial statements of Edge Learning, Inc. d.b.a. The Edge Academy, Summit County, Ohio, (the Academy) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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 significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2008-001 and 2008-003.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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 material weaknesses. However, of the significant deficiencies described above, we believe finding number 2008-003 is also material weaknesses.

We also noted certain internal control matters that we reported to the Academy's management in a separate letter dated February 17, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2008-002.

We did note certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated February 17, 2009.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 17, 2009

EDGE LEARNING, INC.
d.b.a. THE EDGE ACADEMY
SUMMIT COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008 AND 2007

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

FINDING NUMBER 2008-001

Significant Deficiency:

The Academy has contracted its payroll processing, which is a significant accounting function, to a third-party administrator. The Academy has not established procedures to determine whether the service organization has sufficient controls in place that are operating effectively to help ensure payroll transactions are completely and accurately processed. As such, we were unable to rely on the service organization controls in our audit and therefore, we performed detail substantive testing to gain assurance over payroll transactions processed by the service organization.

The Academy should implement procedures to help ensure the completeness and accuracy of payroll transactions processed by its third-party administrator. Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control and design operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Academy with an appropriate level of assurance that payroll is being processed completely and accurately.

The Academy should specify in their contract with the third-party administrator that an annual Tier II SAS 70 audit report be issued. The Academy should be provided a copy of the SAS 70 report in a timely fashion and should review the report to determine the adequacy of the service organization's internal control system. A SAS 70 audit report should be conducted in accordance with America Institute of Certified Public Accountants' (AICPA) Standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State.

Officials' Response: No response was provided.

FINDING NUMBER 2008-002

Noncompliance Citation:

Finding for Adjustment

Office of Management and Budget (OMB) Circular A-87 (Rev. 5/10/04) Section C. Basic Guidelines indicates for an expenditure to be allowable under Federal awards, the costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards.

Eight of twenty-two Title I grant expenditures tested totaling $9,247 were not reasonable and necessary expenditures for the grant. As such, a finding for adjustment in the amount of $9,247 was issued against the general operating cost center in favor of the Title I cost center. This item did not have a financial statement impact because the Academy combines all cost centers into one fund for reporting purposes.

FINDING NUMBER 2008-002 (Continued)

Finding for Adjustment (Continued)

The Academy should reimburse the Title I special cost center from its general operating cost center for the expenditures which were not reasonable and necessary for administration of the Title I grant. Additionally, the Academy should notify the Ohio Department of Education of the adjustment and revise its grant expenditure reports accordingly.

Officials' Response: No response was provided.

FINDING NUMBER 2008-003

Material Weakness

Financial Statement Errors

Our testing of the financial statement and notes testing revealed the following:

- Fiscal year 2008 accounts payable was understated $7,409 due to an invoice which was omitted from the payables list. This was adjusted to the financial statements.

- Fiscal year 2008 accrued wages and benefits was understated $15,488 due to employer SERS retirement obligations, employer Medicare obligations and unemployment insurance being excluded from the calculation. This was adjusted to the financial statements.

- Fiscal year 2008 state foundation receivable and state foundation revenue were understated $16,844 due to the Academy's Full-Time Equivalent (FTE) state foundation adjustment not being accrued. This was adjusted to the financial statements.

- Fiscal year 2008 unrestricted net assets was overstated $33,848 and net assets, invested in capital assets was understated by an equal amount due to the Academy initially not breaking out its net assets into the required components. This was adjusted to the financial statements.

- Fiscal Year 2007 accrued wages and benefits was understated $73,878 due to a portion of July payroll and employer Medicare, STRS and SERS obligations being excluded from the calculation. This was adjusted to the financial statements.

- Fiscal Year 2007 state foundation revenue was overstated $1,768 and deferred revenue was understated by an equal amount due to Academy's Full-Time Equivalent (FTE) state foundation adjustment not being accrued. This was reported to management as an unadjusted item.

FINDING NUMBER 2008-003 (Continued)

Financial Statement Errors (Continued)

- Fiscal year 2007 unrestricted net assets was overstated $30,457 and net assets, invested in capital assets was understated by an equal amount due to the Academy initially not breaking out its net assets into the required components. This was adjusted to the financial statements.

- The defined benefit pension plan and post employment benefits financial statement notes were not updated with the appropriate contribution rates, required contributions, and various other information. These changes were made to the financial statement notes.

Management should review the draft GAAP journal entries and draft financial statements to help ensure they are supported by sufficient and accurate documentation, free of obvious errors and omissions, and consistent with their financial expectations. These procedures should help avoid financial statement errors and help ensure more accurate financial reporting.

Officials' Response: No response was provided.

Mary Taylor, CPA
Auditor of State

EDGE LEARNING, INC. dba THE EDGE ACADEMY
SUMMIT 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
MARCH 24, 2009

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