VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Victory Academy of Toledo
Lucas County
3319 Nebraska Avenue
Toledo, Ohio 43607

To the Governing Board:

We have audited the accompanying basic financial statements of the Victory Academy of Toledo, Lucas County (the Academy) as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Victory Academy of Toledo, as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 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

April 1, 2009

VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED

The discussion and analysis of Victory Academy of Toledo's (the Academy) financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2008. 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 notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

Key financial highlights for the Victory Academy of Toledo during fiscal year 2008 are as follows:

- Total net assets of the Academy decreased $106,967 in fiscal year 2008. Ending net assets of the Academy were $177,912 compared with $284,879 at June 30, 2007.

- Total assets decreased $114,040 from the prior year and total liabilities decreased by $7,073 during this same 12 month period.

- The Academy's operating loss for fiscal year 2008 was $336,619 compared with an operating loss of $338,801 reported for the prior year. Total revenues decreased by $242,053 while total expenses increased by $52,590 over those reported for the prior year.

Using this Financial Report

This financial report contains the basic financial statements of the Academy, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses and changes in net assets, and a statement of cash flows. As the Academy reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the 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.

This statement reports the Academy's net assets; however, in evaluating the overall position and financial viability of the Academy, non-financial information such as the condition of the Academy's property and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

Table 1 provides a summary of the Academy's net assets for fiscal year 2008 compared to those reported for fiscal year 2007.

Table 1

Net Assets

	2008	2007
Assets:		
Current assets	$ 34,148	$ 34,969
Capital Assets, Net	215,516	328,735
Total Assets	249,664	363,704
Liabilities		
Current liabilities	71,752	78,825
Net Assets:		
Invested in capital assets	215,516	325,069
Restricted	1,968	2,035
Unrestricted	(39,572)	(42,225)
Total Net Assets	$ 177,912	$ 284,879

The total assets of the Academy decreased by $114,040, which represents a 31 percent decrease, from total assets reported for fiscal year 2007. This decrease is largely due to the continued depreciation on assets acquired in prior years. The current assets at the end of fiscal year 2008 were $821 lower than the current assets balance at the end of fiscal year 2007.

Noncurrent assets declined by $113,219 (34%) to $215,516 during the 2008 fiscal year. Noncurrent financial assets for the Academy are comprised of capital assets, net of accumulated depreciation.

Total liabilities of the Academy decreased $7,073 over those reported one year ago. The 8.97 percent decrease was primarily due to an decrease in intergovernmental payables (from $16,626 in fiscal year 2007 to $5,944 in fiscal year 2008).

The total net assets reported for fiscal year 2008 declined by $106,967, which is primarily due to the $118,998 in depreciation expense. Unrestricted net assets increased by $2,653 to ($39,572) while restricted net assets decreased by $67 to $1,968. Net assets invested in capital assets, net of related debt, decreased by $109,553 to $215,516.

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 as compared to changes reported for fiscal year 2007.

Table 2

Change in Net Assets

	2008	2007
Operating Revenues:		
Foundation Payments	$ 830,966	$ 777,157
Special Education	18,123	16,985
Extracurricular Activities	9,897	8,490
Food Services	3,314	3,717
Classroom Fees	1,515	1,185
Other Operating Revenue	2,453	3,830
Non Operating Revenues:		
Federal Grants	180,258	315,085
State Grants	49,886	211,469
Contributions and Donations		500
Interest	32	79
Total Revenues	1,096,444	1,338,497
Operating Expenses:		
Salaries	543,469	450,593
Fringe Benefits	140,398	126,001
Purchased Services	301,066	346,477
Materials and supplies	79,440	97,447
Depreciation	118,998	117,840
Other Operating Expenses	19,516	11,807
Non-Operating Expenses:		
Interest and Fiscal Charges	524	656
Total Expenses	1,203,411	1,150,821
Change in Net Assets	(106,967)	187,676
Net Assets, beginning of year	$ 284,879	$ 97,203

Total revenue decreased $242,053 for fiscal year 2008 compared with the prior fiscal year primarily due to the decreased revenue from federal and state grants. In fiscal year 2007, the Academy received a $150,000 start up grant, which the Academy did not receive in fiscal year 2008, and the Academy received less E-Rate funding in fiscal year 2008.

Expenses reported for fiscal year 2008 were $52,590 higher than expenses reported for fiscal year 2007 primarily due to increases in staff salaries and benefits.

Capital Assets

At June 30, 2008, the Academy had $215,516 (net of $272,542 in accumulated depreciation) invested in furniture, fixtures, and equipment and leasehold improvements. There was a total of $5,779 in purchases which met the Academy's capitalization threshold during the year. Table 3 shows balances at June 30, 2008, and a comparison to June 30, 2007:

(Table 3)
Capital Assets at June 30, 2008
(Net of Depreciation)

	2008	2007
Furniture, Fixtures, and Equipment	$ 66,947	$ 93,640
Leasehold Improvements	148,569	235,095
Totals	$ 215,516	$ 328,735

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

Debt

On April 28, 2005, the Academy entered into a revolving line of credit, establishing a note for $10,000 payable on demand, with Key Bank. The loan is collateralized by all business assets.

On March 31, 2005, the Academy received a $12,000 loan from Lucas County Educational Service Center (LCESC) that was payable in 6 equal monthly payments of $2,000 starting May 1, 2005. This loan is not collateralized. This loan was paid off during the fiscal year. See Note 6 of the basic financial statements for additional details.

Current Financial Issues

The Academy's financial relationship with the Lucas County Educational Service Center aids in the raising of the quality of financial records and strengthens internal controls. During the period July 1, 2007, to June 30, 2008, there were approximately 117 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for this period amounted to $5,565 per student. Effective July 1, 2008, the Academy's new fiscal agent is Mangen & Associates, LLC.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the finances of the Victory Academy of Toledo and to show the Academy's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to the Treasurer of Victory Academy of Toledo, 3319 Nebraska Avenue, Toledo, Ohio 43607-2819.

VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets		
Current Assets		
Cash and Cash Equivalents	$	25,526
Intergovernmental Receivable		8,622
Total Current Assets		34,148
Non-Current Assets		
Depreciable Capital Assets, Net		215,516
Total Assets		249,664
Liabilities		
Current Liabilities		
Accounts Payable		19,060
Accrued Wages and Benefits		46,748
Intergovernmental Payable		5,944
Total Liabilities		71,752
Net Assets		
Invested in Capital Assets, Net of Related Debt		215,516
Restricted for Grants		1,968
Unrestricted		(39,572)
Total Net Assets	$	177,912

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues	
Foundation Payments	$ 830,966
Special Education	18,123
Extracurricular Activities	9,897
Food Services	3,314
Classroom Fees	1,515
Other Revenues	2,453
Total Operating Revenues	866,268
Operating Expenses	
Salaries	543,469
Fringe Benefits	140,398
Purchased Services	301,066
Materials and Supplies	79,440
Depreciation	118,998
Other	19,516
Total Operating Expenses	1,202,887
Operating Loss	(336,619)
Non-Operating Revenues and Expenses	
Operating Grants - Federal	180,258
Operating Grants - State	49,886
Interest	32
Interest and Fiscal Charges	(524)
Total Non-Operating Revenues and Expenses	229,652
Change in Net Assets	(106,967)
Net Assets Beginning of Year	284,879
Net Assets End of Year	$ 177,912

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Increase in Cash and Cash Equivalents

Cash Flows from Operating Activities	
Cash Received from Foundation Payments	$ 833,957
Cash Received from Special Education	18,123
Cash Received from Extracurricular Activities	9,897
Cash Received from Food Services	3,314
Cash Received from Classroom Fees	1,515
Cash Received from Other Operating Revenues	2,453
Cash Payments to Suppliers for Goods and Services	(132,292)
Cash Payments to Employees for Services	(543,961)
Cash Payments for Employee Benefits	(134,258)
Cash Payments for Other Operating Uses	(267,480)
Net Cash Used for Operating Activities	(208,732)
Cash Flows from Noncapital Financing Activities	
Federal Grants Received	180,394
Operating Grants Received	49,886
Net Cash Provided by Noncapital Financing Activities	230,280
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(5,779)
Payments for Principal	(3,666)
Payments for Interest and Fiscal Charges	(524)
Net Cash Used for Capital and Related Financing Activities	(9,969)
Cash Flows from Investing Activities	
Interest	32
Net Increase in Cash and Cash Equivalents	11,611
Cash and Cash Equivalents at Beginning of Year	13,915
Cash and Cash Equivalents at End of Year	$ 25,526

(Continued)

VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)

Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	$ (336,619)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Depreciation	118,998
Changes in Assets and Liabilities	
Decrease in Intergovernmental Receivable	2,991
Decrease in Prepaid Items	9,305
Increase in Accounts Payable	1,768
Increase in Accrued Wages and Benefits	5,507
Decrease in Intergovernmental Payable	(10,682)
Total Adjustments	127,887
Net Cash Used for Operating Activities	$ (208,732)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 – DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Victory Academy of Toledo, Inc. (the Academy), is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide students in Kindergarten through grade 8 an individualized, standards-based education that uses student's emerging interests and needs, in an interactive, hands-on, life based approach to the teaching learning process and thus develop self-regulated learners who love to learn. The Academy, which is part of the State's education program, is independent of any school district and is non sectarian 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.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of 5 years commencing May 4, 2004. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Fiscal Officer of the Academy (See Note 13).

The Academy operates under the direction of a Governing Board (the Board). 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 instructional/support facility staffed by 10 non-certified and 12 certificated full time teaching personnel who provide services to 117 students.

Beginning July 1, 2008, the Academy has entered into a service agreement with Mangen & Associates to provide certain financial and accounting services, including performing all duties required of the Treasurer of the Academy (Note 13).

NOTE 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 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 has elected not to apply FASB statements and interpretations issued after November 30, 1989. 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 revenue, 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 statement 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.

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.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is 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 a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. 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 Section 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast which is to be updated on an annual basis, per Ohio Revised Code Chapter 5705.391(A).

E. Cash and Cash Equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, the Lucas County Educational Service Center. All cash received by the fiscal agent is 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 the presentation on the statement of net assets, investments with original maturities of three month or less at the time they are purchased by the Academy are considered to be cash equivalents.

During the year ended 2008, the Academy had only deposits.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. 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 does not possess any infrastructure. The Academy maintains a capitalization threshold of $1,500. Improvements are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Estimated Lives
Furniture, Fixtures, and Equipment	5 years
Leasehold Improvements	Life of the lease

G. 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 these estimates.

H. Intergovernmental Revenues

The Academy is a participant in the State Foundation Basic Aid and Special Education Programs. The foundation funding is recognized as operating revenues in the accounting period in which they are earned, essentially the same as the fiscal year. Federal and state grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements of the grants have been met.

Intergovernmental revenues associated with the Foundation Program totaled $849,089 and revenues associated with specific education grants from the state and federal governments totaled $230,144 during fiscal year 2008.

I. Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly by the Academy's primary mission. For the Academy, operating revenues include revenues paid through the State Foundation Program. Operating expenses are necessary costs incurred to support the Academy's primary mission, including salaries, benefits, purchased services, materials and supplies and depreciation.

Non-operating revenues and expenses are those that are not generated directly by the Academy's primary mission. Various federal and state grants, interest earnings, if any, and payments made to the Academy by other instructional entities for use of the Academy's instructional staff comprise the non-operating revenues of the Academy. Interest and fiscal charges on outstanding obligations, as well as gain or loss on capital asset disposals, if any, comprise the non-operating expenses.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. Accrued Liabilities Payable

The Academy has recognized certain liabilities on its statement of net assets relating to expenses, which are due but unpaid as of June 30, 2008, including:

Wages and Benefits payable – salary and benefit payments made after year-end to instructional and support staff for services rendered prior to the end of June, but whose payroll continues into the summer months based on the fiscal year 2008 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2008 that were paid in the subsequent fiscal year.

K. Federal Tax Exemption Status

The Academy is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a 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.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation less any outstanding capital related debt. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets of the Academy at year-end represent unspent federal and state grant resources for specific instructional program. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 3 – DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the 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 had 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 and five percent of the deposits being secure.

NOTE 3 – DEPOSITS – (Continued)

At June 30, 2008, the carrying amount of the Academy's deposits was $25,526 and the bank balance was $31,134. Of the bank deposits, $31,134 were collateralized under FDIC insurance and no remaining amounts were uncollateralized and uninsured. Although all statutory requirements for the deposit of public money had been followed, non-compliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLES

Receivables at June 30, 2008, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Grants Receivables	Amount
Federal Grants	
Title I	$ 6,449
Title IIA	(80)
Title IID	21
Title IV	120
IDEA-B	2,112
Total Receivables	$ 8,622

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance 06/30/07	Additions	Deletions	Balance 06/30/08
Capital Assets:				
Furniture, Fixtures, and Equipment	$ 156,579	$ 5,779		$ 162,358
Leasehold Improvements	$ 325,700			325,700
Total Capital Assets	482,279	5,779		488,058
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(62,939)	(32,472)		(95,411)
Leasehold Improvements	(90,605)	(86,526)		(177,131)
Total Accumulated Depreciation	(153,544)	(118,998)		(272,542)
Total Capital Assets Being Depreciated, Net	328,735	(113,219)		215,516

NOTE 6 – NOTES PAYABLE

On April 28, 2005, the Academy entered into a revolving line of credit, establishing a note for $10,000 payable on demand, with Key Bank. The loan is collateralized by all business assets.

On March 31, 2005, the Academy received a $12,000 loan from Lucas County Educational Service Center (LCESC) that was payable in 6 equal monthly payments of $2,000 starting May 1, 2005. This loan is not collateralized. This loan was paid off during the fiscal year.

Short-Term Debt	Balance 07/01/07	Additions	Reductions	Balance 06/30/08
Note - Key Bank	1,666		$ 1,666	$ -
Note - LCESC	2,000		2,000	
	$ 3,666		$ 3,666	$ -

NOTE 7 – OPERATING LEASES

The Academy signed an operating lease, and amendments, for the period February 1, 2005, through June 30, 2010, with St. James Holiness Church of God in Christ to lease a school facility. Payments made totaled $84,450 for the fiscal year ended June 30, 2008.

The Academy signed an operating lease for 60 months effective May 2007 with Bank of America Leasing for the use of a copier. Payments made totaled $3,210 for the fiscal year ended June 30, 2008. The Academy signed an additional lease for a second copier for 60 months effective January 2008 with Bank of America Leasing. Payments made totaled $510 for the fiscal year ended June 30, 2008.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2008:

Year Ended June 30:	Building Lease	Copier Lease #1	Copier Lease #2	Total
2009	$ 84,450	3210	1020	$ 88,680
2010	84,450	3210	1020	88,680
2011		3211	1020	4,231
2012		2676	1020	3,696
2013			510	510
Total	$ 168,900	$ 12,307	$ 4,590	$ 185,797

The minimum rental payments owed on the contracts mentioned above are not expected to change during the terms of these contracts.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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 43215-3476 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers, 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 $19,386, $10,620, and $1,369 respectively; 66.11 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), 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 E. Broad St., Columbus, OH 43215-3371, by calling toll free (800) 227-7877, or by visiting the STRS Ohio web-site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined plan payment is payable to a member of or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – (Continued)

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

For the fiscal year ended June 30, 2008, plan members were required to contribute the statutory maximum of 10.0 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% 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 $42,733, $48,320, and $43,951 respectively; 111.39 percent has been contributed for fiscal year 2008 and 100 percent has been contributed for fiscal years 2007 and 2006.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2008, all members of the Governing Board have elected Social Security. The Board's liability is 6.2 percent of wages.

NOTE 9 - POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2008, the STRS Board allocated employer contributions equal to 1 percent of covered payroll was allocated to post employment health care to the Health Care Stabilization Fund. For the Academy, the STRS amounts allocated to post-employment health care for the fiscal years ended June 30, 2008 and 2007 was $3,287 and $3,717 respectively.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

NOTE 9 - POSTEMPLOYMENT BENEFITS – (Continued)

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

A. Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retires and beneficiaries up to a statutory limit.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. The Academy contributions for the fiscal year ended June 30, 2008 was $1,397. 100 percent has been contributed for the fiscal year.

B. Health Care Plan

The Health Care Plan includes hospitalization and physicians' fees through several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage.

The ORC provides the statutory authority to fund SERS' post-employment benefits through employer contributions. Active members do not make contributions to the post-employment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For 2008, the health care allocation was 4.18% of covered payroll. The Academy contributions for the years ended June 30, 2008 and 2007 were $8,847 and $4,032 respectively.

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

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

NOTE 10 – RESTRICTED NET ASSETS

At June 30, 2008, the Academy reported restricted net assets totaling $1,968. The nature of the net asset restrictions are as follows:

State specific educational program grants	$1,649
Federal specific educational program grants	319
Total	$1,968

NOTE 11 - 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 year ended June 30, 2008, the Academy contracted with Philadelphia Insurance Companies for its insurance coverage as follows:

Coverage is as follows:

Commercial General Liability per occurrence	$	1,000,000
Commerical General Liability aggregate		2,000,000
Commercial General Liability Personal & Advertising Injury		1,000,000
Employee Benefit Liability per occurrence		1,000,000
Products/Completed Operations aggregate		2,000,000
Fire Damage		300,000
Real & Personal Property		260,000
Computer/Equipment Coverage		130,000
Medical Expenses (any one person)		15,000

There was no significant reduction in coverage from the prior-year. Settlement amounts have not exceeded coverage amounts in each of the past three years.

The Academy owns no property, but leases a facility located at 3319 Nebraska Avenue, Toledo, Ohio (See Note 7).

B. 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.

NOTE 12 - CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy at June 30, 2008.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of said review, the amount the Academy owed $669 which did not result in a material adjustment to the financial statements.

NOTE 13 – FISCAL AGENT

For the fiscal year beginning July 1, 2007, the Academy entered into a service agreement as part of its Sponsorship contract with the Treasurer of the Lucas County Educational Service Center (the Sponsor) to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Sponsor two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. The contract payments of $21,097 were paid during the year, and a liability in the amount of $750 was accrued for the period ending June 30, 2008.

The Treasurer of the Sponsor shall perform all of the following functions while serving as the Chief Fiscal Officer of the Academy:

A. Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor's or any other Community School's funds;

B. Maintain all books and accounts of all funds of the Academy;

C. Maintain all financial records of the Academy and follow procedures for receiving and expending state funds, which procedures shall include that the Treasurer shall disburse money only upon receipt of a voucher signed by the Chief Administrative Officer of the Academy or that Officer's designee;

D. Assist the Academy in meeting all financial reporting requirements established by the Auditor of Ohio;

E. Invest funds of the Academy in the same manner as the funds of the sponsor are invested, but the Treasurer shall not commingle the funds with the funds of the Sponsor or any other Community School; and

F. Pay obligations incurred by the Academy within a reasonable amount of time, not more than 14 calendar days after receipt of a properly executed voucher signed by the Chief Administrative Officer of the Academy, so long as the proposed expenditure is within the approved budget and funds are available.

Beginning July 1, 2008, the Academy is a party to a fiscal services agreement with Mangen & Associates (M&A) School Resource Center, which is an education finance consulting company. The Agreement's term is for a twelve month period beginning July 1st and may be terminated by either party, with or without cause, by giving the other party ninety days written notice to terminate. The Agreement provides that M&A School Resource Center will perform treasurer and financial support services.

NOTE 14 – PURCHASED SERVICES

For the fiscal year ended June 30, 2008, purchased service expenses were payments for services rendered, as follows:

Professional and Technical Services	$	124,756
Property Services		141,228
Travel Mileage/Meeting Expense		4,443
Communications		10,598
Pupil Transportation Services		19,456
Other Purchased Services		585
Total Purchased Services	$	301,066

NOTE 15 – RELATED PARTY TRANSACTIONS

Reimbursements or payments totaling $5,824 were made to the Academy's Superintendent, her husband, her company, and to the Assistant Principal/Business Manager, and her husband, on behalf of the Academy. Both the Superintendent and the Assistant Principal/Business Manager are non-voting members of the Board.

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

Victory Academy of Toledo
Lucas County
3319 Nebraska Avenue
Toledo, Ohio 43607

To the Governing Board:

We have audited the basic financial statements of Victory Academy of Toledo, Lucas County, (the Academy) as of and for the year ended June 30, 2008, and have issued our report thereon dated April 1, 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 opinion 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.

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.

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

We noted certain matters that we reported to the Academy's management in a separate letter dated April 1, 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 2008-001.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 1, 2009

SCHEDULE OF FINDINGS
FYE 06/30/08

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

FINDING NUMBER 2008-001

Finding for Recovery

Darrell Cowell, Jr., a teacher for the Victory Academy of Toledo, had a supplemental contract with the Academy as a tutor and was to be paid $20 for each hour spent tutoring. Mr. Cowell was overpaid for hours worked during the month of April of 2008 and paid on June 13, 2008, as follows:

Pay Date	Hours Worked	Hours Paid	Hours Overpaid	Hourly Rate	Amount Overpaid
June 13, 2008	13	23	10.0	$20.00	$200.00

Renee Marazon, Superintendent, was responsible for approving the timesheets for Mr. Cowell.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Darrell Cowell, Jr. in the amount of $200.00, and in favor of the Victory Academy of Toledo.

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

Additionally, Renee Marazon, Superintendent, Richard Cox, Treasurer, and his bonding company, Travelers Casualty and Surety Company of America, will be jointly and severally liable in the amount of $200.00 in favor of the Victory Academy of Toledo to the extent that recovery is not obtained from Darrell Cowell, Jr.

Official's Response

The Academy's management agreed with this finding.

VICTORY ACADEMY OF TOLEDO
LUCAS COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FYE 06/30/08

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2007-001	Preparation of Financial Statements and Related Disclosures	Yes	

Mary Taylor, CPA
Auditor of State

VICTORY ACADEMY OF TOLEDO

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
MAY 7, 2009

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