VICTORY ACADEMY OF TOLEDO

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2009

Mary Taylor, CPA
Auditor of State

Governing Board
Victory Academy of Toledo
3319 Nebraska Avenue
Toledo, Ohio 43607

We have reviewed the *Independent Auditors' Report* of the Victory Academy of Toledo, Lucas County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 10, 2010

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VICTORY ACADEMY OF TOLEDO

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the Victory Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2009, 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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2009, 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.

The Board of Directors
Victory Academy of Toledo
Lucas County

In accordance with *Government Auditing Standards,* we have also issued a report dated April 23, 2010, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 3 – 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Weber O'Brien Ltd.

April 23, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Victory Academy of Toledo's (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. 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

Key financial highlights for the Victory Academy of Toledo during fiscal year 2009 are as follows:

- Total net assets of the Academy decreased $83,137 in fiscal year 2009. Ending net assets of the Academy were $94,775 compared with $177,912 at June 30, 2008.

- Total assets decreased $69,568 from the prior year and total liabilities increased by $13,569 from the prior year.

- The Academy's operating loss for fiscal year 2009 was $353,456 compared with an operating loss of $336,619 reported for the prior year. Total revenues increased by $4,189 while total expenses decreased by $19,641 over those reported for the prior year.

USING THIS ANNUAL 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, a 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 presentation are 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 laws governing charter schools in the State of Ohio will also need to be evaluated.

THE ACADEMY AS A WHOLE

Table 1 provides a summary of the Academy's net assets at June 30, 2009. A comparison is made to fiscal year 2008.

Table 1
Net Assets

	2009	2008
Assets:		
Current assets	$ 83,578	$ 34,148
Capital assets, net	96,518	215,516
Total Assets	180,096	249,664
Liabilities:		
Current liabilities	85,321	71,752
Net Assets:		
Invested in capital assets	96,518	215,516
Restricted	18,095	1,968
Unrestricted (deficit)	(19,838)	(39,572)
Total Net Assets	$ 94,775	$ 177,912

Total assets decreased $69,568 from the prior year, which represents a decrease of 28%. This decrease is primarily due to a decrease in capital assets of $118,998, which is a result of depreciation expense recognized for the fiscal year. The decrease in capital assets is partially offset by an increase in current assets, which is due to an increase in cash and cash equivalents and an increase in intergovernmental receivables. Cash and cash equivalents increased as a result of higher cash basis receipts received and lower cash disbursements paid during the fiscal year as compared to the prior year. Intergovernmental receivables increased due to an increased award in the Title I program in addition to a difference of timing in requesting those funds between years.

Total liabilities increased $13,569 from the prior year, which represents an increase of 19%. This increase is primarily due to a matured compensated absence payable recognized at fiscal year and an increase in intergovernmental payable due to an increase in the SERS surcharge liability. These increases were partially offset by a decrease in accrued wages and benefits payable. Accrued wages and benefits decreased as a result of a lower number of employees for which wages were accrued as of fiscal year end 2009 as compared to fiscal year end 2008.

Table 2 shows the changes in net assets for the fiscal years ended June 30, 2009 and 2008.

Table 2
Change in Net Assets

	2009	2008
Operating revenues		
Foundation Payments	$791,399	$830,966
Special Education	28,981	18,123
Extracurricular Activities	7,203	9,897
Food Services	1,744	3,314
Classroom Fees	987	1,515
Other Operating Revenue	0	2,453
Non-Operating Revenues		
Federal Grants	258,406	180,258
State Grants	11,103	49,886
Interest	50	32
Other Non-operating Revenue	760	0
Total Revenues	1,100,633	1,096,444
Operating Expenses		
Salaries	464,323	543,469
Fringe Benefits	124,551	140,398
Purchased Services	346,081	301,066
Materials and Supplies	94,278	79,440
Depreciation	118,998	118,998
Other Operating Expenses	35,539	19,516
Non-Operating Expenses		
Interest and Fiscal Charges	0	524
Total Expenses	1,183,770	1,203,411
Change in Net Assets	(83,137)	(106,967)
Net Assets, Beginning of Year	177,912	284,879
Net Assets, End of Year	$94,775	$177,912

Total revenues increased $4,189 from the prior year, which represents an increase of less than 1%. Foundation revenues decreased $39,567 due to a decrease in enrollment. Extracurricular activities, food service, and classroom fees also decreased due to a decrease in enrollment. Federal grants increased $78,148 due to an increase in the Title I program award and the addition of the School Improvement Title I program. Salaries decreased $79,146 due primarily to the loss of some highly paid employees. Purchased services increased $45,015 due primarily to a new management company which performs fiscal service functions for the Academy, including CCIP and EMIS services which were not provided by the previous fiscal agent.

Capital Assets

At the end of fiscal year 2009, the Academy had $96,518 invested in leasehold improvements and furniture, fixtures and equipment. There were no purchases which met the Academy's capitalization threshold during the year. Table 3 shows balances at June 30, 2009, and a comparison to June 30, 2008:

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

	2009	2008
Furniture, Fixtures, and Equipment	$34,475	$66,947
Leasehold Improvements	62,043	148,569
Totals	$96,518	$215,516

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

Debt

The Academy had no outstanding debt as of June 30, 2009.

Current Financial Issues

Effective July 1, 2008, the Academy's new fiscal agent was Mangen & Associates, LLC (M&A). During the period July 1, 2008 to June 30, 2009, there were approximately 110 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Per pupil aid for this period amounted to $5,732 per student.

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, 3319 Nebraska Avenue, Toledo, Ohio 43607-2819.

Victory Academy of Toledo
Statement of Net Assets
June 30, 2009

ASSETS:	
Current Assets:	
Cash and cash equivalents	$ 51,339
Intergovernmental receivable	32,239
Total current assets	83,578
Noncurrent Assets:	
Depreciable capital assets, net	96,518
Total assets	180,096
LIABILITIES:	
Current Liabilities:	
Accounts payable	14,629
Accrued wages and benefits payable	33,978
Intergovernmental payable	15,459
Matured compensated absences payable	21,255
Total liabilities	85,321
NET ASSETS:	
Invested in capital assets	96,518
Restricted for other purposes	18,095
Unrestricted (deficit)	(19,838)
Total net assets	$ 94,775

See accompanying notes to the basic financial statements.

Victory Academy of Toledo

Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2009

OPERATING REVENUES:		
Foundation payments	$	791,399
Special education		28,981
Extracurricular activities		7,203
Food services		1,744
Classroom fees		987
Total operating revenues		830,314
OPERATING EXPENSES:		
Salaries		464,323
Fringe benefits		124,551
Purchased services		346,081
Materials and supplies		94,278
Depreciation		118,998
Other operating expenses		35,539
Total operating expenses		1,183,770
Operating loss		(353,456)
NON-OPERATING REVENUES:		
Federal grants		258,406
State grants		11,103
Interest		50
Other revenue		760
Total non-operating revenues		270,319
Change in net assets		(83,137)
Net assets, beginning of year		177,912
Net assets, end of year	$	94,775

See accompanying notes to the basic financial statements.

Victory Academy of Toledo
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from foundation payments	$	791,399
Cash received from special education		28,981
Cash received from extracurricular activities		7,203
Cash received from food services		1,744
Cash received from classroom fees		987
Cash payments to suppliers for goods and services		(444,790)
Cash payments to employees for services and benefits		(570,874)
Cash payments for other operating disbursements		(35,539)
Net cash used for operating activities		(220,889)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Federal grants received		234,789
Other non-operating receipts		760
State grants received		11,103
Net cash provided by noncapital financing activities		246,652
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest		50
NET INCREASE IN CASH AND CASH EQUIVALENTS		25,813
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		25,526
CASH AND CASH EQUIVALENTS, END OF YEAR	$	51,339
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Operating Loss	$	(353,456)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:		
Depreciation		118,998
Changes in assets and liabilities:		
Decrease in accounts payable		(4,431)
Decrease in accrued wages and benefits payable		(12,770)
Increase in intergovernmental payable		9,515
Increase in matured compensated absences payable		21,255
Total adjustments		132,567
Net cash used for operating activities	$	(220,889)

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Victory Academy of Toledo (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 students' emerging interests and needs, in an interactive, hands-on, life based approach to the teaching lessons 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 an amended three year term commencing July 1, 2007 and ending May 30, 2010. 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 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 Governing Board controls the Academy's instructional/support facility staffed by 11 non-certified and 17 certificated teaching personnel who provide services to 110 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 12).

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 a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before September 30, 1989, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

Basis of Presentation

The Academy's basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

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 revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 permitted; matching requirements, in which the Academy must provide local resources to be used for a specific 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.

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).

Cash and cash equivalents

All monies received by the Academy are accounted for by the Academy's fiscal agent, Mangen & Associates. 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 of the statement of net assets, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents.

For the year ended June 30, 2009, the Academy had only deposits.

Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The Academy does not possess any infrastructure. The Academy does maintain a capitalization threshold of $1,500. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All reported capital assets are depreciated. Improvements to capital assets are depreciated over the meaningful 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

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.

Intergovernmental revenues

The Academy currently participates 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 $820,380 and those associated with specific education grants from the state and federal governments totaled $269,509 during fiscal year 2009.

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 activities, 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 activities. Various state and federal 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. The Academy had no non-operating expenses for the fiscal year.

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, 2009 including:

Accrued wages and benefits payable – salary 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 2009 contract.

Intergovernmental payable – payment for the employer's share of the retirement contribution, Medicare and Workers' Compensation associated with services rendered during fiscal year 2009 that were paid in the subsequent fiscal year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Restricted net assets of the Academy at year-end represent unspent federal and state grant resources for specific instructional and operational programs. None of the Academy's restricted net assets are restricted by enabling legislation.

NOTE 3 – DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover the deposits.

At June 30, 2009, the carrying amount of the Academy's deposits was $51,339 and the bank balance was $59,048. Of the bank deposits, $59,048 was collateralized under FDIC insurance; no amounts were uncollateralized or 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, 2009, consisted of intergovernmental receivables arising from grants and entitlements. All receivables are considered collectible in full. A summary of the intergovernmental receivables follows:

Grants Receivables	Amount
Federal Grants	
Title I	$29,528
Title IV-A	554
Title II-A	1,534
Title II-D	623
Total Receivables	$32,239

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance 6/30/2008	Additions	Deletions	Balance 6/30/2009
Capital Assets:				
Furniture, Fixtures, and Equipment	$162,358	$0	$0	$162,358
Leasehold improvements	325,700	0	0	325,700
Total Capital Assets	488,058	0	0	488,058
Less: Accumulated Depreciation				
Furniture, Fixtures, and Equipment	(95,411)	(32,472)	0	(127,883)
Leasehold improvements	(177,131)	(86,526)	0	(263,657)
Total Accumulated Depreciation	(272,542)	(118,998)	0	(391,540)
Total Capital Assets Being Depreciated, Net	$215,516	($118,998)	$0	$96,518

NOTE 6 – OPERATING LEASES

The Academy signed an operating lease, and amendments, for the period February 1, 2005, through June 1, 2011, with St. James Holiness Church of God in Christ to lease a school facility. The lease is cancelable at the option of the Academy. Payments made totaled $88,100 for the fiscal year ended June 30, 2009.

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 $2,962 for the fiscal year ended June 30, 2009. The Academy signed an additional lease for a second copier for 60 months effective January 2008 with Bank of America Leasing. Payments made totaled $1,020 for the fiscal year ended June 30, 2009.

NOTE 6 – OPERATING LEASES (Continued)

The following is a schedule of the future minimum payments required under the non-cancelable operating leases as of June 30, 2009:

Year Ended June 30:	Copier Lease #1	Copier Lease #2	Total
2010	$2,962	$1,020	$3,982
2011	2,962	1,020	3,982
2012	2,221	1,020	3,241
2013	0	510	510
Total	$8,145	$3,570	$11,715

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. 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 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 *Employers/Audit Resources*.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2009, the allocation to pension and death benefits is 9.09 percent. The remaining 4.91 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the fiscal years ended June 30, 2009, 2008, and 2007 were $20,768, $19,386, and $10,620, respectively; equal to 100 percent for the fiscal years 2009, 2008, and 2007.

State Teachers Retirement System

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

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

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

For the fiscal years ended June 30, 2009, 2008, and 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent. The portion allocated to fund pension obligations was 13 percent for the fiscal years ended June 30, 2009, 2008, and 2007. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007 were $48,115, $42,733, and $48,320, respectively; equal to 100% for the fiscal years 2009, 2008, and 2007.

STRS Ohio issues a stand-alone financial report. Additional information or copies of STRS Ohio's Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2009, there were two members participating in Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 8 – POST-EMPLOYMENT BENEFITS

State Teachers Retirement System

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan; and a combined plan, which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to Section 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

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 8 – POST-EMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for healthcare coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14 percent contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2009, 2008, and 2007. For the Academy, these amounts equaled $3,701, $3,287, and $3,717 for fiscal years 2009, 2008, and 2007, respectively.

School Employees Retirement System

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

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2009 was $96.40; SERS' reimbursement to retirees was $45.50.

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 years 2009, 2008, and 2007, the actuarially required allocations were 0.75 percent, 0.66 percent, and 0.68 percent, respectively. For the Academy, contributions for the fiscal years ended June 30, 2009, 2008, and 2007 were $1,714, $1,397, and $516, respectively, which equaled the required contributions for those years.

Health Care Plan

Ohio Revised Code 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code 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 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2009, 2008, and 2007, the health care allocations were 4.16 percent, 4.18 percent, and 3.32 percent, respectively. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at $35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total assigned to the Health Care Fund. For the Academy, the amounts contributed to fund health care benefits, including the surcharge, during the 2009, 2008, and 2007 fiscal years equaled $9,504, $8,847, and $4,032, respectively.

NOTE 8 – POST-EMPLOYMENT BENEFITS (Continued)

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 upon 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 *Employer/Audit Resources*.

NOTE 9 – RESTRICTED NET ASSETS

At June 30, 2009, the Academy reported restricted net assets totaling $18,095. The nature of the net asset restrictions are as follows:

State specific educational program grants	$7,397
Federal specific educational program grants	992
Other (lunchroom program)	9,706
Total	$18,095

NOTE 10 – 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 the year ended June 30, 2009, the Academy contracted with Ohio Casualty for its insurance coverage as follows:

Commercial General Liability per occurrence	$1,000,000
Commercial General Liability aggregate	2,000,000
Commercial General Liability Personal and Advertising Injury	1,000,000
Employee Benefit Liability per occurrence	1,000,000
Employee Benefit Liability aggregate	3,000,000
Products/Completed Operations aggregate	2,000,000
Fire Damage	300,000
Real and Personal Property	260,000
Commercial Computer 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 any of the past three years.

The Academy owns no property, but leases a facility located at 3319 Nebraska Avenue, Toledo, Ohio (See Note 6).

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 determined by the State.

NOTE 11 – CONTINGENCIES

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, 2009.

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. The Ohio Department of Education has conducted its review subsequent to year end and the resulting adjustment had no material effect on the financial statements.

NOTE 12 – FISCAL AGENT

Beginning July 1, 2008, the Academy is a party to a fiscal services agreement with Mangen & Associates (M&A) LLC, 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 will perform treasurer and financial support services. Payments totaling $44,915 were paid during the year. No liability was accrued as of June 30, 2009.

M&A shall perform all of the following functions while serving as the Treasurer of the Academy:

- Maintain custody of all funds received by the Academy in segregated accounts separate from any other community school's funds;
- Maintain all books and accounts of all funds of the Academy;
- 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;
- Assist the Academy in meeting all financial reporting requirements established by the Ohio Auditor of State;
- Invest funds of the Academy in a manner consistent with the Academy's investment policy and the Ohio Revised Code, but the Treasurer shall not commingle the funds with the funds of any other community school; and
- 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.

The Academy and M&A extended their agreement for M&A to provide fiscal services through June 30, 2010.

NOTE 13 – PURCHASED SERVICES

For the fiscal year ended June 30, 2009, purchased service expenses, payments for services rendered by various vendors, are as follows:

Professional and Technical Services	$222,638
Property Services	103,408
Travel Mileage/Meeting Expense	3,677
Communications	16,358
Total Purchased Services	$346,081

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Victory Academy of Toledo
Lucas County
3319 Nebraska Avenue
Toledo, OH 43607

We have audited the accompanying basic financial statements of the Victory Academy of Toledo, Lucas County ("Academy") as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements as listed in the table of contents and have issued our report thereon dated April 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Academy's financial statements that is more than inconsequential will not be prevented or detected by the Academy's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Academy's internal control.

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 deficiencies in internal control that might be significant deficiencies or material weaknesses.

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We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency in internal control that we consider to be a significant deficiency.

Significant Deficiency

Capital Asset Records

During our audit, we noted that the Academy has a capital asset policy, but does not follow the policy and does not maintain capital asset records. While a large portion of the recorded property and equipment is fully depreciated, lack of detailed capital asset records precludes maintaining accurate records when assets are sold or disposed of. Additionally, lack of detailed capital asset records could allow capital assets to be misappropriated and not detected.

We recommend that the Academy follow their capital asset policy and maintain detailed capital asset records and reconcile these records to the general ledger on a regular basis. Specifically, capital asset records should include the following data as noted in the Academy's policy:

- Description of the asset
- Asset classification
- Cost, voucher number and vendor name
- Date placed in service
- Depreciation method
- Depreciation expense and accumulated depreciation for the year
- Date asset retired and selling price if applicable

Management's Response: Management of the Academy is currently in the process of reviewing their policy and implementing procedures to develop detailed capital asset records in accordance with their policy.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the Victory Academy of Toledo in a separate letter dated April 23, 2010.

Board of Directors
Victory Academy of Toledo

The Victory Academy of Toledo's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Weber O'Brien Ltd

April 23, 2010

ENGLEWOOD PEACE ACADEMY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

2008-001 Finding for Recovery

Finding for Recovery: A teacher for the Academy had a supplemental contract with the Academy as a tutor and was to be paid $20 for each hour spent tutoring. The teacher was overpaid for hours worked in the amount of $200.

Current Status: Corrected

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Victory Academy of Toledo
3319 Nebraska Avenue
Toledo, OH 43607

To the Board of Directors:

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

Accordingly, we have performed the procedures enumerated below, which were agreed to by the Board, solely to assist the Board in evaluating whether Victory Academy of Toledo has adopted an anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Board. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board adopted an anti-harassment policy at its meeting on June 12, 2006.

2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666 (B):

   (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
   (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
   (3) A procedure for reporting prohibited incidents;
   (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

(5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;

(6) A procedure for documenting any prohibited incident that is reported;

(7) A procedure for responding to and investigating any reported incident;

(8) A strategy for protecting a victim from additional harassment, intimidation, or bullying and from retaliation following a report;

(9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;

3. We noted that the current policy does not include the following requirement from Ohio Revised Code Section 3313.666 (B):

   1) A requirement that the community school administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the community school has a web site, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Weber O'Brien Ltd

April 23, 2010

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 20, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us