

ENGLEWOOD PEACE ACADEMY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010



Dave Yost • Auditor of State

Members of the Governing Board
Englewood Peace Academy
1120 Horace Street
Toledo, Ohio 43606

We have reviewed the *Independent Auditors' Report* of the Englewood Peace Academy, Lucas County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2009 through June 30, 2010. 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 Englewood Peace Academy is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 26, 2011

This Page is Intentionally Left Blank.

ENGLEWOOD PEACE ACADEMY

TABLE OF CONTENTS

Independent Auditors' Report	1 - 2
Management's Discussion and Analysis	3 - 6
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets	8
Statement of Cash Flows	9
Notes to the Basic Financial Statements	10 - 22
Schedule of Expenditures of Federal Awards (Accrual Basis)	23
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	24 - 25
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	26 - 27
Schedule of Findings and Questioned Costs	28
Summary Schedule of Prior Audit Findings	29
Independent Accountant's Report on Applying Agreed - Upon Procedures	30 - 31



INDEPENDENT AUDITORS' REPORT

The Board of Directors
Englewood Peace Academy
Lucas County
1120 Horace Street
Toledo, Ohio 43606-4737

We have audited the accompanying basic financial statements of the Englewood Peace Academy ("Academy"), as of and for the year ended June 30, 2010, 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, 2010, 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.

As discussed in Note 16 to the accompanying financial statements, the Academy was notified by the Ohio Department of Education that the Academy's charter was revoked and the Academy ceased operations as of June 30, 2010.

The Board of Directors
Englewood Peace Academy
Lucas County

In accordance with *Government Auditing Standards*, we have also issued a report dated July 8, 2011, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Englewood Peace Academy's basic financial statements. The accompanying schedule of expenditures of federal awards on page 23 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Englewood Peace Academy. Such information, which is the responsibility of the management of the Englewood Peace Academy, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



July 8, 2011

ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The management's discussion and analysis of Englewood Peace Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2010. 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 2010 are as follows:

- In total, net assets were \$358,323 at June 30, 2010.
- The Academy had operating revenues of \$1,264,220 and operating expenses of \$1,891,856 for fiscal year 2010. The Academy also received \$576,801 in Federal and State grants during fiscal year 2010. The total change in net assets for the fiscal year was a decrease of \$44,130.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *statement of net assets* and *statement of revenues, expenses and changes in net assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2010?" The statement of net assets and the statement of revenues, expenses and changes in net assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and is meeting the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The table below provides a summary of the Academy's net assets for fiscal years 2010 and 2009.

	<u>Net Assets</u>	
	<u>2010</u>	<u>2009</u>
<u>Assets</u>		
Current assets	\$ 391,560	\$ 542,040
Capital assets, net	<u>10,640</u>	<u>17,355</u>
Total assets	<u>402,200</u>	<u>559,395</u>
<u>Liabilities</u>		
Current liabilities	43,877	152,812
Non-current liabilities	<u>-</u>	<u>4,130</u>
Total liabilities	<u>43,877</u>	<u>156,942</u>
<u>Net Assets</u>		
Invested in capital assets, net		
of related debt	10,640	13,225
Restricted	24,276	46,883
Unrestricted	<u>323,407</u>	<u>342,345</u>
Total net assets	<u>\$ 358,323</u>	<u>\$ 402,453</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2010, the Academy's net assets totaled \$358,323. Both current assets and capital assets, net of accumulated depreciation decreased during fiscal year 2010, resulting in a decrease in net assets of \$44,130.

The revenue generated by community schools are heavily dependent upon per-pupil allotment given by the State foundation program and federal entitlement programs. Foundation basic aid payments attributed to 53.74% of total operating and non-operating revenues during fiscal year 2010.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The table below shows the changes in net assets for fiscal years 2010 and 2009.

	2010	2009
<u>Operating Revenues:</u>		
Foundation basic aid	\$ 993,141	\$ 1,265,799
Poverty-based assistance	192,701	231,339
Special education	43,315	30,815
Charges for services - food service	11,550	12,192
Classroom fees	1,712	838
Rental income	4,850	4,400
Other operating revenue	16,951	7,814
Total operating revenue	1,264,220	1,553,197
<u>Operating Expenses:</u>		
Salaries and wages	955,053	1,066,665
Fringe benefits	306,439	347,412
Purchased services	508,807	480,565
Materials and supplies	50,224	112,167
Cost of sales	43,012	62,608
Depreciation	6,715	8,804
Other	21,606	11,261
Total operating expenses	1,891,856	2,089,482
<u>Non-operating revenues (expenses):</u>		
Federal and State grants	576,801	414,124
Federal donated commodities	6,187	18,200
Interest income	475	4,684
Contributions and donations	202	1,549
Interest and fiscal charges	(159)	(920)
Loss on disposal of assets	-	(62,994)
Total non-operating revenues (expenses)	583,506	374,643
Change in net assets	(44,130)	(161,642)
Net assets at beginning of year	402,453	564,095
Net assets at end of year	\$ 358,323	\$ 402,453

Operating revenues of the Academy decreased \$288,977 or 22.86% compared to fiscal year 2009. The most significant decreases were in the areas of foundation basic aid and poverty-based assistance. These revenue sources decreased \$272,658 and \$38,638, respectively. These decreases are mainly attributed to a decrease in enrollment in fiscal year 2010 compared to fiscal year 2009. Foundation basic aid and poverty-based assistance is given to schools based on the number of students enrolled.

Operating expenses decreased \$197,626 or 10.45% from fiscal year 2009. The largest decrease was in salaries and wages expense. Salaries and wages declined \$111,612 due to lower staffing levels needed for the decrease in enrollment.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

The major increase in non-operating revenues was in Federal and State grants. This is the result of the Academy receiving grants related to the American Recovery and Reinvestment Act (ARRA) during fiscal year 2010.

Capital Assets

At June 30, 2010, the Academy had \$10,640 invested in furniture, fixtures and equipment, net of accumulated depreciation. This amount represents a net decrease of \$6,715 as compared to 2009 due to current year depreciation expense.

Debt Administration

At June 30, 2010, the Academy did not have any outstanding long-term obligations.

Cessation of Operations

The Ohio Department of Education ("ODE") required the Academy to close by June 30, 2010 due to poor academic performance. Management appealed the decision but was ultimately required to shut down as of June 30, 2010.

Contacting the School's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mr. Rich Cox of Lucas County Educational Services Center, 2275 Collingwood Blvd, Toledo, Ohio 43620 or email at lc_rac@nwoca.org.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2010

Assets:	
<u>Current assets:</u>	
Cash and cash equivalents.	\$ 378,524
Accounts	831
Intergovernmental.	12,205
Total current assets	391,560
<u>Non-current assets:</u>	
Capital assets, net.	10,640
Total assets.	402,200
 Liabilities:	
<u>Current liabilities:</u>	
Accounts payable.	14,064
Pension obligation payable.	19
Intergovernmental payable	29,794
Total current liabilities	43,877
Total liabilities	43,877
 Net assets:	
Invested in capital assets.	10,640
Restricted for other purposes.	24,276
Unrestricted.	323,407
Total net assets	\$ 358,323

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Operating revenues:	
Foundation basic aid.	\$ 993,141
Poverty-based assistance.	192,701
Special education.	43,315
Charges for services - food service.	11,550
Classroom fees.	1,712
Rental income.	4,850
Other.	16,951
Total operating revenues	<u>1,264,220</u>
Operating expenses:	
Salaries and wages	955,053
Fringe benefits.	306,439
Purchased services.	508,807
Materials and supplies	50,224
Cost of sales	43,012
Depreciation	6,715
Other.	21,606
Total operating expenses.	<u>1,891,856</u>
Operating loss.	<u>(627,636)</u>
Non-operating revenues (expenses):	
Federal and State operating grants.	576,801
Interest revenue	475
Contributions and donations.	202
Federal donated commodities	6,187
Interest and fiscal charges	(159)
Total non-operating revenues (expenses)	<u>583,506</u>
Change in net assets.	(44,130)
Net assets at beginning of year	<u>402,453</u>
Net assets at end of year.	<u>\$ 358,323</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from state foundation	\$ 1,231,444
Cash received from charges for services - food service	11,550
Cash received from classroom fees.	1,712
Cash received from rentals.	5,250
Cash received from other operations	16,871
Cash payments for salaries and wages	(1,031,014)
Cash payments for fringe benefits.	(344,204)
Cash payments to suppliers for goods and services.	(510,974)
Cash payments for materials and supplies	(88,138)
Cash payments for other expenses	(17,135)
	<u>(724,638)</u>
Net cash used in operating activities	<u>(724,638)</u>
Cash flows from noncapital financing activities:	
Federal and State operating grants.	617,160
Cash received from contributions and donations.	202
	<u>617,362</u>
Net cash provided by noncapital financing activities.	<u>617,362</u>
Cash flows from capital and related financing activities:	
Principal payments.	(4,130)
Interest and fiscal charges	(159)
	<u>(4,289)</u>
Net cash used in capital and related financing activities.	<u>(4,289)</u>
Cash flows from investing activities:	
Interest received	475
	<u>475</u>
Net cash provided by investing activities	<u>475</u>
Net decrease in cash and cash equivalents	(111,090)
Cash and cash equivalents at beginning of year	489,614
Cash and cash equivalents at end of year	<u>\$ 378,524</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (627,636)
Adjustments:	
Depreciation	6,715
Federal donated commodities	6,187
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	540
(Increase) in accounts receivable	(431)
(Increase) in intergovernmental receivable	(4,196)
Decrease in prepayments	13,417
(Decrease) in accounts payable.	(9,616)
(Decrease) in accrued wages and benefits	(86,687)
(Decrease) in intergovernmental payable.	(1,211)
(Decrease) in pension obligation payable	(21,720)
Net cash used in operating activities	<u>\$ (724,638)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Englewood Peace Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Sections 3314 and 1702. The Academy is an approved tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code exclusively for educational purposes. The Academy's objective is to provide quality education marked by strong values, high academic standards, and consistent discipline. Respect for self and others, honesty, friendliness, cultural pride, and collaboration describe the spirit of Englewood Peace Academy. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

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

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years, commencing July 2002. In July 2007, the sponsorship contract was renewed for an additional two years. The contract was renewed for an additional one year term in 2009. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration. The sponsorship agreement states the Treasurer of the Lucas County Educational Service Center shall serve as the Chief Financial Officer of the Academy (See Note 12).

The Academy operates under the direction of a six-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include, but are not limited to, State-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. 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) guidance issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB guidance issued after November 30, 1989. The Academy's significant accounting policies are described below.

A. Basis of Presentation

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

ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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 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.

C. Basis of Accounting

Basis of accounting determines when transactions are recognized 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.

Revenue resulting from nonexchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the period in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the period when the resources are required to be used or the period when use is first 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.

D. Budgetary Process

The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a 5-year forecast, which is to be updated on an annual basis. Chapter 5705.39(A) of the Ohio Revised Code also requires the Academy to prepare a 5-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

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

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

During fiscal year 2010, investments were limited to repurchase agreements and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value which is based on quoted market prices.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for. During fiscal year 2010, the Academy closed their STAR Ohio account.

F. Capital Assets and Depreciation

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

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

	<u>Estimated Lives</u>
Furniture, fixtures and equipment	5 years

G. Intergovernmental Revenues

The Academy currently participates in the Foundation Basic Aid Program, State Poverty-Based Assistance Program and State Special Education Program. Revenues received from these programs are recognized as operating revenues (foundation payments) in the accounting period in which all eligibility requirements have been met.

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

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

H. Prepaid Items

Prepayments represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as assets on the statement of net assets, using the allocation method, which amortized their cost over the periods benefiting from the advance payment.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

I. Inventory

Inventory is stated at the lower of cost or market, and cost is determined on a first-in/first-out (FIFO) basis. Inventory consists of donated and purchased food and is expensed when used.

J. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The Academy applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Estimates

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

L. Operating Revenues and Expenses

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For fiscal year 2010, the Academy has implemented GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets", GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments", and GASB Statement No. 58, "Accounting and Financial Reporting for Chapter 9 Bankruptcies".

GASB Statement No. 51 addresses accounting and financial reporting standards for intangible assets, which are assets that lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, water rights, computer software, patents, and trademarks. GASB Statement No. 51 improves the quality of financial reporting by creating consistency in the recognition, initial measurement, and amortization of intangible assets. The implementation of GASB Statement No. 51 did not have an effect on the financial statements of the Academy.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. Common types of derivative instruments include interest rate and commodity swaps, interest rate locks, options, swaptions, forward contracts, and futures contracts. The implementation of GASB Statement No. 53 did not have an effect on the financial statements of the Academy.

GASB Statement No. 58 establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB Statement No. 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The implementation of GASB Statement No. 58 did not have an effect on the financial statements of the Academy.

NOTE 4 - DEPOSITS AND INVESTMENTS

A. Deposits with Financial Institutions

At June 30, 2010, the carrying amount of all Academy deposits was \$6,963. The Academy's entire bank balance of \$72,416 was covered by the FDIC.

B. Investments

As of June 30, 2010, the Academy had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 371,561	\$ 371,561

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Academy's investment policy limits investment portfolio maturities to five years or less.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Academy will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The security underlying the repurchase agreement is exposed to custodial credit risk as it is held by the counterparty's trust department or agent but not in the Academy's name. The Academy has no investment policy dealing with investment custodial risk beyond the requirements of State statute.

Credit Risk: The Government National Mortgage Association security underlying the repurchase agreement was rated AAA by Standard & Poor's and Aaa by Moody's Investor Services. The Academy has no investment policy dealing with credit risk beyond the requirements of State statute.

ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The Academy places no limit on the amount that may be invested in any one issue. The following table includes the percentage of each investment type held by the Academy at June 30, 2010:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase agreement	\$ 371,561	100.00

NOTE 5 - RECEIVABLES

Receivables at June 30, 2010, consisted of accounts and intergovernmental receivables arising from grants and entitlements and accounts receivable. All receivables are considered collectable in full. A summary of the intergovernmental receivables follows:

Intergovernmental Receivables:	<u>Amount</u>
State Teacher's Retirement System	\$ 4,196
Title I	8,009
Total intergovernmental receivables	<u>\$ 12,205</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for fiscal year 2010 was as follows:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets:				
Furniture, fixtures & equipment	\$ 56,836	\$ -	\$ -	\$ 56,836
Total capital assets	<u>56,836</u>	<u>-</u>	<u>-</u>	<u>56,836</u>
Less: accumulated depreciation:				
Furniture, fixtures & equipment	(39,481)	(6,715)	-	(46,196)
Total accumulated depreciation	<u>(39,481)</u>	<u>(6,715)</u>	<u>-</u>	<u>(46,196)</u>
Capital assets, net	<u>\$ 17,355</u>	<u>\$ (6,715)</u>	<u>\$ -</u>	<u>\$ 10,640</u>

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 7 - RISK MANAGEMENT

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2010, the Academy contracted with the Cincinnati Insurance Company, the Philadelphia Indemnity Company, and the Markel Insurance Company with the following insurance coverage:

Coverage	Limits of Coverage
General liability:	
Each occurrence	\$ 1,000,000
Aggregate	2,000,000
Damage to rented premises	500,000
Medical expense	15,000
Personal & advertising injury	1,000,000
Products-completed operations aggregate limit	2,000,000
 EDP equipment	 60,000
Blanket accident and health:	
Aggregate	250,000
Accident medical expense	10,000
Accidental death and dismemberment	5,000
Flexi plus five:	
Directors & officers liability	5,000,000
Employment practices	5,000,000
Aggregate	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there has been no significant reduction in coverage. The Academy owns no property, but leases a facility located at 1120 Horace Street, Toledo, Ohio (See Note 10 for detail).

B. Workers' Compensation

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

C. Employee Medical Benefits

The Academy has contracted through the Lucas County Educational Service Center with an independent contractor to provide medical, dental, and vision insurance to its full-time employees.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - 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 Academy 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 2010, 12.78 percent of annual covered salary was the portion used to fund pension obligations and death benefits. The remaining 1.22% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2010, 2009 and 2008 were \$39,255, \$33,412 and \$31,719, respectively; 99.96 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

Plan Description - The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 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 a member's lifetime 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 on 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.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 8 - 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent 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, 2010, 2009 and 2008 were \$94,101, \$90,916 and \$81,657, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$9,136 made by the Academy and \$6,525 made by the plan members.

NOTE 9 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The Academy participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the system based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2010, 0.46 percent of covered payroll was allocated to health care. 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. For fiscal year 2010, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the postemployment benefit plans. The 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 Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$6,964, \$20,281 and \$19,717, respectively; 99.96 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2010, this actuarially required allocation was 0.76 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$2,334, \$2,757 and \$2,285, respectively; 99.96 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$7,239, \$6,994 and \$6,281, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 10 - OPERATING LEASES

The Academy renewed an operating lease agreement on July 1, 2006 with St. Martin de Porres Parish, which terminated on June 30, 2009, for the Academy's facility. This lease was renewed for an additional year. This agreement is, in substance, a facility rental agreement, and the facility lease payments for the fiscal year totaled \$122,100.

NOTE 11 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During fiscal year 2007, the Academy entered into a capital lease for computer equipment and accessories. The lease meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease has been recorded at the present value of the future minimum lease payments as of the inception date. Principal payments made during the fiscal year ended 2010 totaled \$4,130. There are no future capital lease obligations.

NOTE 12 - FISCAL AGENT

The Academy entered into a service agreement as part of its sponsorship contract with the Treasurer of the Lucas County Educational Service Center to serve as the Chief Fiscal Officer of the Academy. As part of this agreement, the Academy shall compensate the Lucas County Educational Service Center two percent (2%) of the per pupil allotment paid to the Academy from the State of Ohio. Payments made to the Lucas County Educational Service Center during fiscal year 2010 includes \$32,227 in fiscal fees and \$18,472 in sponsorship fees. A liability in the amount of \$2,754 for June fiscal fees was accrued for fiscal year 2010.

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

- Maintain custody of all funds received by the Academy in segregated accounts separate from the Sponsor or any other Community School's funds;
- Maintain all books and accounts 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 the Officer's designee;
- Assist the Academy in meeting all financial reporting requirements established by the Auditor of the State of Ohio;
- 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 any of the Sponsor or 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 Office of the Academy so long as the proposed expenditure is within the approved budget and funds are available.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 13 - PURCHASED SERVICES

For fiscal year 2010, purchased services expenses were payments for services rendered by various vendors, as follows:

Professional and technical services	\$ 308,018
Property services	123,002
Travel	10,681
Communications	4,758
Utilities	52,926
Contracts	9,422
Total	<u>\$ 508,807</u>

NOTE 14 - CONTINGENCIES

A. Grants

The Academy received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2010.

B. Litigation

The Academy is not involved in any litigation.

C. Ohio Department of Education Enrollment Review

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which State foundation funding is calculated. For fiscal year 2010, the results of this review resulted in a decrease of \$3,797 that is reflected as an intergovernmental payable in the financial statements.

NOTE 15 - RELATED PARTY TRANSACTIONS

Academy Governing Board members; Sr. Virginia Welsh is the Administrator of St. Martin DePorres Parish. St. Martin de Porres Parish is the lessor of the Academy's facility (See Note 10). The Academy's legal counsel is also a member of the Academy's Governing Board. No payments for legal fees were made to the Academy's legal counsel during the fiscal year.

**ENGLEWOOD PEACE ACADEMY
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE 16 - CEASED OPERATIONS

The Academy was notified by the Ohio Department of Education (“ODE”) that the Academy must close by June 30, 2010 due to continued poor academic performance. ODE’s determination was based on the specific performance criteria described in Ohio Revised Code Section 3314.35 (“ORC”) as revised by the Ohio General Assembly effective July 17, 2009. The Academy ceased operations on June 30, 2010.

NOTE 17 - SUBSEQUENT EVENT

The Academy has followed the closing procedures prescribed by ODE. These procedures included, among others, official notification to ODE, retirement systems, the students and the community, disposition of assets and the preparation of financial statements.

As of the date of the report, the Academy had a cash balance of \$127,310. All payables and receivables outstanding at June 30, 2010 have been paid and received. Total expenditures and cash receipts subsequent to year end through the report date were \$296,662 and \$55,781, respectively. Once all liabilities are liquidated any residual cash balance will be returned to the Ohio Department of Education as required by ORC 3314.074.

ENGLEWOOD PEACE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (ACCRUAL BASIS)
YEAR ENDED JUNE 30, 2010

<u>Federal Grantor</u> <i>Pass-Through Grantor</i> Program Title	<u>Federal CFDA Number</u>	<u>Grant Receipts</u>	<u>Non-Cash Receipts</u>	<u>Grant Expenditures</u>	<u>Non-Cash Expenditures</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>					
<i>Passed Through Ohio Department of Education:</i>					
<u>Special Education Cluster</u>					
Special Education - Part B - IDEA	84.027	\$ 39,650	\$ -0-	\$ 44,532	\$ -0-
Special Education - Part B - IDEA - ARRA	84.391	<u>19,611</u>	<u>-0-</u>	<u>19,611</u>	<u>-0-</u>
		59,261	-0-	64,143	-0-
State Fiscal Stabilization Fund (SFSF) - Education State Grants - ARRA	84.394	84,200	-0-	84,200	-0-
Title II-D - Education Technology	84.318	417	-0-	1,015	-0-
<u>Title I, Part A Cluster</u>					
Title I Grants to Local Educational Agencies	84.010	152,556	-0-	161,598	-0-
Title I Grants to Local Educational Agencies- ARRA	84.389	<u>179,403</u>	<u>-0-</u>	<u>179,403</u>	<u>-0-</u>
		331,959	-0-	341,001	-0-
Title IV - Safe and Drug Free Schools	84.186	623	-0-	623	-0-
Title II-A - Improving Teacher Quality	84.367	<u>3,490</u>	<u>-0-</u>	<u>8,108</u>	<u>-0-</u>
TOTAL DEPARTMENT OF EDUCATION		479,950	-0-	499,090	-0-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>					
Ohio Walk to School	20.600	824	-0-	822	-0-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>					
<i>Passed Through Ohio Department of Education:</i>					
<u>Child Nutrition Cluster</u>					
National School Lunch Program	10.555	73,873	6,187	72,985	6,187
School Breakfast Program	10.553	<u>23,044</u>	<u>-0-</u>	<u>23,044</u>	<u>-0-</u>
		96,917	6,187	96,029	6,187
Child Nutrition Discretionary Grants - ARRA	10.579	<u>4,200</u>	<u>-0-</u>	<u>4,200</u>	<u>-0-</u>
TOTAL DEPARTMENT OF AGRICULTURE		<u>101,117</u>	<u>6,187</u>	<u>100,229</u>	<u>6,187</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>\$ 581,891</u>	<u>\$ 6,187</u>	<u>\$ 600,141</u>	<u>\$ 6,187</u>



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

The Board of Directors
Englewood Peace Academy
Lucas County
1120 Horace Street
Toledo, Ohio 43606-4737

We have audited the accompanying basic financial statements of the Englewood Peace Academy, Lucas County ("Academy") as of and for the year ended June 30, 2010, which collectively comprise the Academy's basic financial statements as listed in the table of contents and have issued our report thereon dated July 8, 2011 in which we included an emphasis of a matter paragraph that the Academy ceased operations June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Board of Directors
Englewood Peace Academy

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*.

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

A handwritten signature in cursive script that reads "Webb O'Brien Ltd.".

July 8, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

The Board of Directors
Englewood Peace Academy
Lucas County
1120 Horace Street
Toledo, Ohio 43606-4737

Compliance

We have audited the compliance of Englewood Peace Academy, Lucas County ("Academy") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Academy's major federal programs for the year ended June 30, 2010. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audit.

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

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Board of Directors
Englewood Peace Academy

Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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



July 8, 2011

ENGLEWOOD PEACE ACADEMY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:		<u>Unqualified</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____yes	__X__no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	__X__none reported
Noncompliance material to financial statements noted?	_____yes	__X__no

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	_____yes	__X__no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____yes	__X__none reported

Type of auditors’ report issued on compliance for major programs:		<u>Unqualified</u>
---	--	--------------------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____yes	__X__no
---	----------	---------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	---

Title I, Part A Cluster

84.010	Title I
84.389	Title I - ARRA

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
--	------------------

Auditee qualified as low risk auditee?	_____Yes	__X__No
--	----------	---------

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

ENGLEWOOD PEACE ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

NONE



INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

Englewood Peace Academy
1120 Horace Street
Toledo, OH 43606

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 Englewood Peace Academy 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 on November 8, 2009.
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;
- (10) A requirement that the Academy administration semiannually provide the president of the Academy board a written summary of all reported incidents and post the summary on its web site, if the district 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.

A handwritten signature in cursive script, appearing to read "Wade O'Brien".

July 8, 2011



Dave Yost • Auditor of State

ENGLEWOOD PEACE ACADEMY

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
OCTOBER 6, 2011