



**QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

QUAKER DIGITAL ACADEMY
TUSCARAWAS COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Quaker Digital Academy
Tuscarawas County
248 Front Avenue, SW
New Philadelphia, Ohio 44663

To the Board of Directors:

We have audited the accompanying basic financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio, (the Academy) a component unit of the New Philadelphia City School District, as of and for the years ended June 30, 2008 and 2007, as listed in the Table of Contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Quaker Digital Academy, Tuscarawas County, Ohio, as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2008, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 20, 2008

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and 2007
Unaudited

The discussion and analysis of the Quaker Digital Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal years ended June 30, 2008 and 2007. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The Management's Discussion and Analysis (the "MD & A") is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments" issued in June of 1999.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2008, are as follows:

- Net assets totaled \$1,264,039, an increase of \$245,394 over fiscal year 2007.
- Total assets were \$1,330,401, an increase of \$248,964 from fiscal year 2007.
- Liabilities totaled \$66,362, an increase of \$3,570 from fiscal year 2007.
- Operating revenues equaled \$1,291,552 and non-operating revenues were \$146,431.
- Operating expenses amounted to \$1,192,589.

Key financial highlights for fiscal year ended June 30, 2007 are as follows:

- Net assets totaled \$1,018,645, an increase of \$501,537 over fiscal year 2006.
- Total assets were \$1,081,437, an increase of \$505,189 from fiscal year 2006.
- Liabilities totaled \$62,792, an increase of \$3,652 from fiscal year 2006.
- Operating revenues equaled \$916,395 and non-operating revenues were \$79,607.
- Operating expenses amounted to \$494,465.

Using this Annual Report

This annual report consists of the MD & A, the basic financial statements and the 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.

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and 2007
Unaudited

The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer the question, "How did we do financially during fiscal year 2008 and 2007?" The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most companies in the private sector. This basis of accounting takes into account all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

Table 1 provides a summary of the Academy's net assets for fiscal year 2008 and 2007 as follows:

Table 1
 Net Assets at June 30,

	2008	2007
Assets		
Current assets	\$ 1,330,401	\$1,081,437
Liabilities		
Current Liabilities	66,362	62,792
Net Assets		
Restricted for Other purposes	15,968	29,589
Unrestricted	1,248,071	989,056
Total Net assets	\$ 1,264,039	\$ 1,018,645

Total assets of \$1,330,401 in 2008 and \$1,081,437 in 2007 consisted almost entirely of cash.

Total liabilities of \$66,362 in 2008 and \$62,792 in 2007 were made up of accounts payable.

The net impact was an increase of net assets of \$245,394 for 2008 and \$501,537 for 2007.

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and 2007
Unaudited

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2008 and 2007, as well as a listing of revenues and expenses.

Table 2
Change in Net Assets

	2008	2007
Operating Revenues		
Foundation Payments	\$1,291,552	\$916,395
Non-Operating Revenues		
Grants - Federal	109,099	67,415
Investment Income	37,332	12,192
Total Revenues	1,437,983	996,002
Operating Expenses		
Instruction:		
Regular	334,406	226,316
Special	172,650	25,624
Other	135	2,515
Support Services:		
Instructional staff	12,711	7,736
Board of Education	9,904	894
Administration	556,519	154,983
Fiscal	105,495	71,589
Operation and Maintenance of Plant	769	4,424
Pupil Transportation	0	384
Total Operating Expenses	1,192,589	494,465
<i>Increase in Net assets</i>	\$245,394	\$501,537

The Academy's activities consist of enterprise activity. Community schools receive no support from taxes. The State Foundation Program and the Federal Title Grant Programs are, by far, the primary support for the Academy's students.

Quaker Digital Academy
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2008 and 2007
Unaudited

For the Future

The Academy began fiscal year 2008 with the various vendors providing most of its instructional, services. The Academy will be working towards providing instructional, administrative, and fiscal services through the New Philadelphia City School District (the "Sponsor"). As the Academy takes on increasingly more of the instructional, administrative, and fiscal services through its Sponsor, its costs should be more effectively monitored and adjusted, as necessary. However, management still must diligently plan expenses, staying carefully within the Academy's five-year plan.

The Academy has entered into a service contract for fiscal year 2009 with its Sponsor. In agreement with this contract, the Academy will purchase the following services from its Sponsor: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel to provide instructional services to the Academy, hourly staff to provide support services to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount of these services will not exceed \$400,000 for fiscal year 2009.

In addition, the Academy expects student enrollment for fiscal year 2009 to increase, and the Academy anticipates the student enrollment to continue growing in fiscal years after fiscal year 2009 until it reaches its ceiling. This growth will result in payments from the State School Foundation Program to increase substantially.

The Academy's management must plan carefully and prudently to provide the resources to meet student needs over the next several fiscal years. Financially, the future is not without challenges.

Contacting the Academy's Management

This financial report is designed to provide our citizens, investors 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 any questions about this report or need additional financial information, contact Steven D. Sherer, Treasurer, at Quaker Digital Academy, 248 Front Avenue SW, New Philadelphia, Ohio 44663 or email at sherers@npschools.org.

Quaker Digital Academy
Statement of Net Assets
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets:		
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$1,301,447	\$1,080,013
Receivables:		
Intergovernmental	26,968	
Accrued Interest	<u>1,986</u>	<u>1,424</u>
<i>Total Assets</i>	<u>1,330,401</u>	<u>1,081,437</u>
Liabilities:		
Current Liabilities		
Accounts Payable	<u>66,362</u>	<u>62,792</u>
<i>Total Liabilities</i>	<u>66,362</u>	<u>62,792</u>
Net Assets		
Restricted for Other Purposes	15,968	29,589
Unrestricted	<u>1,248,071</u>	<u>989,056</u>
<i>Total Net Assets</i>	<u><u>\$1,264,039</u></u>	<u><u>\$1,018,645</u></u>

See accompanying notes to the basic financial statements

Quaker Digital Academy
*Statement of Revenues,
Expenses and Changes in Net Assets
For the Fiscal Years Ended June 30, 2008 and 2007*

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Foundation Payments	\$1,291,552	\$916,395
<i>Total Operating Revenues</i>	<u>1,291,552</u>	<u>916,395</u>
Operating Expenses		
Instruction:		
Regular	334,406	226,316
Special	172,650	25,624
Other	135	2,515
Support Services:		
Instructional staff	12,711	7,736
Board of Education	9,904	894
Administration	556,519	154,983
Fiscal	105,495	71,589
Operation and Maintenance of Plant	769	4,424
Pupil Transportation	0	384
<i>Total Operating Expenses</i>	<u>1,192,589</u>	<u>494,465</u>
<i>Operating Income</i>	<u>98,963</u>	<u>421,930</u>
Non-Operating Revenues		
Grants - Federal	109,099	67,415
Investment Income	37,332	12,192
<i>Total Non-Operating Revenues</i>	146,431	79,607
<i>Change in Net Assets</i>	245,394	501,537
<i>Net Assets Beginning of Year</i>	<u>1,018,645</u>	<u>517,108</u>
<i>Net Assets End of Year</i>	<u><u>\$1,264,039</u></u>	<u><u>\$1,018,645</u></u>

See accompanying notes to the basic financial statements

Quaker Digital Academy
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2008 and 2007

	2008	2007
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash received from Foundation Payments	\$1,291,550	\$916,395
Cash Payments for Goods and Services	(1,189,019)	(490,813)
<i>Net Cash Provided by Operating Activities</i>	102,531	425,582
CashFlows from Noncapital Financing Activities		
Grants Received	82,131	67,415
Investment Revenue	36,770	10,768
<i>Net Increase in Cash and Cash Equivalents</i>	221,432	503,765
<i>Cash and Cash Equivalents Beginning of Year</i>	1,080,013	576,248
<i>Cash and Cash Equivalents End of Year</i>	\$1,301,445	\$1,080,013
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities		
Operating Income	\$98,963	\$421,930
Adjustments:		
Increase (Decrease) in Liabilities:		
Accounts payable	3,570	46,581
Intergovernmental payable	0	(42,929)
<i>Net Cash Provided by Operating Activities</i>	\$102,533	\$425,582

See accompanying notes to the basic financial statements

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Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and 2007

Note 1 – Description of the Academy and Reporting Entity

The Quaker Digital Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 1702 and 3314 to address the needs of students in kindergarten through the twelfth grade. The Academy is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the New Philadelphia City School District (“the Sponsor”) for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

The Academy is designed for students who have a desire for, and whose education can be optimized by, a program of online instruction in an independent environment that does not include ancillary components of a more traditional education. Because the focus is on distance learning, the ability of students to learn independently in their own homes using an online educational program is an essential element of the Academy’s program.

The Academy was approved for operation under contract with the Sponsor for a period of five years commencing July 1, 2003. The Academy began operations on January 15, 2004. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy leases space from the Sponsor in the Sponsor’s Administration Building.

The Academy operates under the direction of a five-member Board of Directors appointed by the Sponsor. The Board of Directors is responsible for carrying out 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.

A service contract for fiscal year 2008 between the Academy and the Sponsor was also approved. In agreement with this contract, the Academy purchased the following services from the Sponsor: part-time personnel to administer and oversee the instruction and governance of the Academy, hourly staff to provide support to the Academy, and marketing support. The Academy paid the Sponsor \$330,821 during fiscal year 2008 and \$188,052 during fiscal year 2007 for these services. All personnel providing services to the Academy on behalf of the Sponsor under the service contract are considered employees of the Sponsor, and the Sponsor shall be solely responsible for all payroll functions.

All of the Academy’s personnel services, which provided services to 240 students, were purchased from outside organizations during fiscal year 2008 and 2007.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to the enterprise activities, provided they do not conflict with or contradict GASB pronouncements. The Academy has the option to also apply FASB Statements and Interpretations issued after November 30, 1989, to its enterprise activities, subject to the same limitation.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and 2007

The Academy has elected not to apply these FASB Statements and Interpretations. The more significant of the Academy's accounting policies are described below.

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows.

Enterprise reporting focuses on the determination of the change in net assets, financial position and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and 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 net total assets. The Statement of Cash Flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. The Academy's basic 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 fiscal 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.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses are recognized at the time they are incurred.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and 2007

D. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does not prescribe a budgetary process for the Academy; therefore, no budgetary information is presented in the basic financial statements.

E. Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

F. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are payments from the State Foundation Program. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the Academy. All revenues and expenses not meeting these definitions are reported as non-operating.

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program. Revenues received from this program are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

H. Estimates

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

Note 3 – Deposits

At June 30, 2008, the carrying amount of the Academy's deposits and bank balance was \$750,000. Of the bank balance, \$100,000 was covered by federal depository insurance and \$650,000 was collateralized with securities held in a single financial institution collateral pool in the name of the respective depository bank and pledged as a pool of collateral against all the public monies it holds. Non-compliance with federal requirements could potentially subject the Academy to a successful claim by the Federal Deposit Insurance Corporation.

At June 30, 2007, the carrying amount of the Academy's deposits and bank balance was \$250,000. Of the bank balance, \$200,000 was covered by federal depository insurance and \$50,000 was collateralized with securities held in a single financial institution collateral pool in the name of the respective depository bank and pledged as a pool of collateral against all the public monies it holds. Non-compliance with federal

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and 2007

requirements could potentially subject the Academy to a successful claim by the Federal Deposit Insurance Corporation.

The Academy's investments consisted solely in repurchase agreements with a fair market value of \$551,447 and \$830,013 for 2008 and 2007 respectively. The maturity of the repurchase agreements was less than six months.

Interest rates risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Academy's investment policy addresses interest risk by requiring the Academy's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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.

Of the Academy's \$514,722 investment in repurchase agreements in 2008 and the \$830,013 in 2007, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the Academy. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2%.

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 Academy has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Note 4 – Risk Management

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. During fiscal year 2008 and 2007, the Academy was covered under the Sponsor's insurance for property, liability, and inland marine coverage.

Settled claims of the Sponsor have not exceeded commercial coverage in any of the past three fiscal years, and there has not been a significant reduction in coverage from the prior fiscal year.

Note 5 – State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and 2007

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

The Academy is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

Note 6 – Agreements with the Curriculum Service Providers

The Academy entered into agreements with the Jefferson County Educational Service Center, Calvert, and NNDS Management Foundation for the providing of curriculum, web based classes and textbook materials for the 2007-08 school year.

All personnel providing services to the Academy from these service providers are considered employees of the service provider.

Payments are made to the provider based on the number of students enrolled in their programs. For the 2007-08 school year the Academy paid \$6,409 to the Jefferson County Education Service Center, \$37,138 to Calvert, \$15,075 to Jefferson County Virtual Learning and \$62,668 to NNDS Management Foundation.

Note 8 – Contingencies

A. Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The disbursements of funds received under these programs generally require 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 of the Academy. However, in the opinion of management, any disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2008, and 2007.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by 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 Academy was reviewed during the 2004 fiscal year of operations and zero errors were found in enrollment, withdrawals and attendance. The Academy does not anticipate any significant adjustments to state funding for fiscal years 2005 through 2008, as a result of the reviews which have not yet been completed.

Note 9 – Personnel Agreement

The Academy entered into a service contract for fiscal year 2007 and 2008 with its Sponsor for the following services: personnel to administer and oversee the instruction and governance of the Academy, hourly personnel and staff to provide instructional services and support to the Academy, marketing support, EMIS data transmission, insurance, and consulting. The total amount paid for these services was \$424,000 for fiscal year 2008, and \$100,000 for 2007.

Quaker Digital Academy
Notes to the Basic Financial Statements
For the Fiscal Years Ended June 30, 2008 and 2007

Note 10 – Purchased Services

For the Fiscal Year ended June 30, 2008 and 2007, purchased services expenses were as follows:

Professional and Technical Services - 2008	\$1,093,890
Professional and Technical Services - 2007	\$445,701



Mary Taylor, CPA

Auditor of State

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

Quaker Digital Academy
Tuscarawas County
248 Front Avenue, SW
New Philadelphia, Ohio 44663

To the Board of Directors:

We have audited the financial statements of the Quaker Digital Academy, Tuscarawas County, Ohio, (the Academy) a component unit of the New Philadelphia City School District, as of and for the years ended June 30, 2008 and 2007, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated November 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted a certain matter that we reported to the Academy's management in a separate letter dated November 20, 2008.

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Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of management and the Board of Directors. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 20, 2008



Mary Taylor, CPA
Auditor of State

QUAKER DIGITAL ACADEMY

TUSCARAWAS 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
JANUARY 6, 2009**