

**ENGLEWOOD PEACE ACADEMY**  
**LUCAS COUNTY, OHIO**  
**BASIC**  
**FINANCIAL STATEMENTS**  
*FOR THE FISCAL YEAR ENDED*  
*JUNE 30, 2009*





Mary Taylor, CPA  
Auditor of State

Board of Directors  
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, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

April 7, 2010

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ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY, OHIO

BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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## 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, 2009, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in note 16 to the accompanying financial statements, subsequent to year end the Academy was notified by the Ohio Department of Education that the Academy must close by June 30, 2010, which raises substantial doubt about its ability to continue as a going concern. Management's plan regarding this matter is also described in Note 16.

The Board of Directors  
Englewood Peace Academy  
Lucas County

In accordance with *Government Auditing Standards*, we have also issued a report dated March 2, 2010, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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



March 2, 2010

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets were \$402,453 at June 30 2009.
- The Academy had operating revenues of \$1,553,197 and operating expenses of \$2,089,482 for fiscal year 2009. The Academy also received \$414,124 in federal and state grants during fiscal year 2009. The total change in net assets for the fiscal year was a decrease of \$161,642.

**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 2009?" 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, 2009**

The table below provides a summary of the Academy's net assets for fiscal years 2009 and 2008.

	<u>Net Assets</u>	
	<u>2009</u>	<u>2008</u>
<b><u>Assets</u></b>		
Current assets	\$ 542,040	\$ 668,737
Capital assets, net	<u>17,355</u>	<u>86,991</u>
Total assets	<u>559,395</u>	<u>755,728</u>
<b><u>Liabilities</u></b>		
Current liabilities	152,812	179,843
Non-current liabilities	<u>4,130</u>	<u>11,790</u>
Total liabilities	<u>156,942</u>	<u>191,633</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	13,225	75,201
Restricted	46,883	36,946
Unrestricted	<u>342,345</u>	<u>451,948</u>
Total net assets	<u>\$ 402,453</u>	<u>\$ 564,095</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the Academy's net assets totaled \$402,453. Both current assets and capital assets, net of accumulated depreciation, decreased during fiscal year 2009, resulting in a decrease in net assets of \$161,642.

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 63.55% of total operating and non-operating revenues during fiscal year 2009.

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The table below shows the changes in net assets for fiscal years 2009 and 2008.

**Change in Net Assets**

	<u>2009</u>	<u>2008</u>
<b><u>Operating Revenues:</u></b>		
Foundation basic aid	\$ 1,265,799	\$ 1,304,863
Poverty-based assistance	231,339	237,122
Special education	30,815	42,662
Charges for services - food service	12,192	15,855
Classroom fees	838	2,290
Rental income	4,400	4,700
Other operating revenue	7,814	11,602
Total operating revenue	<u>1,553,197</u>	<u>1,619,094</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	1,066,665	981,167
Fringe benefits	347,412	307,145
Purchased services	480,565	444,843
Materials and supplies	112,167	107,461
Cost of sales	62,608	58,149
Depreciation	8,804	40,387
Other	11,261	44,470
Total operating expenses	<u>2,089,482</u>	<u>1,983,622</u>
<b><u>Non-operating revenues:</u></b>		
Federal and State grants	414,124	367,841
Federal donated commodities	18,200	14,875
Interest income	4,684	17,267
Contributions and donations	1,549	205
Interest and fiscal charges	(920)	(1,657)
Loss on disposal of assets	(62,994)	-
Total non-operating revenues	<u>374,643</u>	<u>398,531</u>
Change in net assets	(161,642)	34,003
Net assets at beginning of year	<u>564,095</u>	<u>530,092</u>
Net assets at end of year	<u>\$ 402,453</u>	<u>\$ 564,095</u>

**Capital Assets**

At June 30, 2009, the Academy had \$17,355 invested in furniture, fixtures and equipment, net of accumulated depreciation. This amount represents a net decrease of \$69,636 as compared to 2008. During the fiscal year, the Academy increased its threshold for the capitalization of capital assets from \$500 to \$1,500, with individual costs of less than \$1,500 (total costs aggregating \$207,613 and accumulated depreciation of \$144,619) removed from the financial statements. See Note 6 in the notes to the basic financial statements for more details on capital assets.

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Debt Administration**

At June 30, 2009, the Academy had \$4,130 in capital lease obligations outstanding. This entire amount is due within one year. See Note 11 in the notes to the basic financial statements for more detail on capital lease obligations outstanding.

**Current Financial Related Activities**

The Academy's financial relationship with the Lucas County Educational Service Center as the Academy's fiscal agent greatly improves the internal control structure and quality of its financial records. During the 2008-2009 school year there were approximately 209 students enrolled in the Academy.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for State and Federal funds that are made available to finance its operations.

Subsequent to year end, 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. Management has appealed ODE's decision to close the Academy (Note 16).

**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. Mark Sholl of Englewood Peace Academy, 1120 Horace Street, Toledo, Ohio 43606 or email at [epa\\_ms@nwoca.org](mailto:epa_ms@nwoca.org).

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2009

<b>Assets:</b>	
<u>Current assets:</u>	
Cash and cash equivalents . . . . .	\$ 489,614
Receivables:	
Accounts . . . . .	400
Intergovernmental. . . . .	38,069
Prepayments . . . . .	13,417
Inventory held for resale . . . . .	540
	<hr/>
Total current assets. . . . .	542,040
 <u>Non-current assets:</u>	
Capital assets, net. . . . .	17,355
	<hr/>
Total non-current assets . . . . .	17,355
	<hr/>
Total assets . . . . .	559,395
 <b>Liabilities:</b>	
<u>Current liabilities:</u>	
Accounts payable . . . . .	23,680
Accrued wages and benefits. . . . .	86,687
Intergovernmental payable . . . . .	20,706
Pension obligation payable . . . . .	21,739
	<hr/>
Total current liabilities . . . . .	152,812
 <u>Long-term liabilities:</u>	
Due within one year. . . . .	4,130
	<hr/>
Total long-term liabilities . . . . .	4,130
	<hr/>
Total liabilities . . . . .	156,942
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt . . . . .	13,225
Restricted for:	
State funded programs . . . . .	3,010
Federally funded programs. . . . .	20,571
Other purposes. . . . .	23,302
Unrestricted . . . . .	342,345
	<hr/>
Total net assets. . . . .	<u>\$ 402,453</u>

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, 2009

<b>Operating revenues:</b>	
Foundation basic aid . . . . .	\$ 1,265,799
Poverty-based assistance . . . . .	231,339
Special education . . . . .	30,815
Charges for services - food service . . . . .	12,192
Classroom fees . . . . .	838
Rental income . . . . .	4,400
Other . . . . .	7,814
Total operating revenue . . . . .	<u>1,553,197</u>
<b>Operating expenses:</b>	
Salaries and wages . . . . .	1,066,665
Fringe benefits . . . . .	347,412
Purchased services . . . . .	480,565
Materials and supplies . . . . .	112,167
Cost of sales . . . . .	62,608
Depreciation . . . . .	8,804
Other . . . . .	11,261
Total operating expenses . . . . .	<u>2,089,482</u>
Operating loss . . . . .	<u>(536,285)</u>
<b>Non-operating revenues (expenses):</b>	
Federal and state operating grants . . . . .	414,124
Federal donated commodities . . . . .	18,200
Interest income . . . . .	4,684
Contributions and donations . . . . .	1,549
Interest and fiscal charges . . . . .	(920)
Loss on disposal of capital assets . . . . .	(62,994)
Total non-operating revenues (expenses) . . . . .	<u>374,643</u>
Change in net assets . . . . .	(161,642)
Net assets at beginning of year . . . . .	<u>564,095</u>
Net assets at end of year . . . . .	<u>\$ 402,453</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, 2009

<b>Cash flows from operating activities:</b>	
Cash received from state foundation . . . . .	\$ 1,529,463
Cash received from charges for services - food service. . .	12,938
Cash received from classroom fees. . . . .	838
Cash received from rentals . . . . .	4,200
Cash received from other operating sources . . . . .	8,083
Cash payments for salaries and wages . . . . .	(1,071,727)
Cash payments for fringe benefits . . . . .	(345,316)
Cash payments to suppliers for goods and services. . . . .	(471,502)
Cash payments for materials and supplies . . . . .	(173,056)
Cash payments for other expenses . . . . .	(20,991)
Net cash used in operating activities . . . . .	<u>(527,070)</u>
<b>Cash flows from noncapital financing activities:</b>	
Federal and state operating grants . . . . .	458,386
Cash received from contributions and donations . . . . .	1,549
Net cash provided by noncapital financing activities . . . . .	<u>459,935</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets. . . . .	(2,162)
Principal payments . . . . .	(7,660)
Interest payments . . . . .	(920)
Net cash used in capital and related financing activities. . . . .	<u>(10,742)</u>
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	4,684
Net cash provided by investing activities . . . . .	<u>4,684</u>
Net decrease in cash and cash equivalents . . . . .	(73,193)
Cash and cash equivalents at beginning of period. . . . .	562,807
Cash and cash equivalents at end of period . . . . .	<u>\$ 489,614</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss . . . . .	\$ (536,285)
Adjustments:	
Depreciation. . . . .	8,804
Federal donated commodities . . . . .	18,200
Changes in assets and liabilities:	
Decrease in accounts receivable . . . . .	1,956
Decrease in prepayments . . . . .	7,396
Increase in inventory held for resale . . . . .	(110)
Decrease in accounts payable . . . . .	(19,582)
Decrease in accrued wages and benefits . . . . .	(26,551)
Increase in intergovernmental payable . . . . .	8,705
Increase in pension obligation payable . . . . .	10,397
Net cash used in operating activities. . . . .	<u>\$ (527,070)</u>

**Non-Cash Transactions:**

The Academy received donated commodities for food service operations in the amount of \$18,200 during fiscal year 2009.

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, 2009**

**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 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 ten-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. The Governing Board controls the Academy's instructional/support facility staffed by 26 non-certified and 25 certified full-time teaching personnel who provide services to 209 students.

**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") Statements and Interpretations 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 Statements and Interpretations 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, 2009**

**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 statements 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, 2009

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

During fiscal year 2009, 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 on June 30, 2009.

**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 increased its capitalization threshold from \$500 to \$1,500. In connection with this change, previously capitalized fixed assets with individual costs of less than \$1,500 with total costs aggregating \$207,613 and accumulated depreciation of \$144,619 were removed from the financial statements. 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 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, 2009

**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 2009, the Academy has implemented GASB Statement No. 49, “Accounting and Financial Reporting for Pollution Remediation Obligations”, GASB Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, GASB Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”, and GASB Statement No. 56 “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”.

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 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, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the Academy.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (“GAAP”) for state and local governments into the GASB’s authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the Academy.

GASB Statement No. 56 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants’ (“AICPA”) Statements on Auditing Standards. The implementation of GASB Statement No. 56 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, 2009, the carrying amount of all Academy deposits was \$1,895. The Academy’s entire bank balance of \$41,953 was covered by the FDIC.

**B. Investments**

As of June 30, 2009, the Academy had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 315,406	\$ 315,406
Repurchase agreement	172,313	172,313
Total	<u>\$ 487,719</u>	<u>\$ 487,719</u>

*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 repurchase agreement is exposed to custodial credit risk as they are uninsured, unregistered, and 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 Federal Home Loan Bank security underlying the repurchase agreement was rated AAA by Standard & Poor’s and Aaa by Moody’s Investor Services. Standard & Poor’s has assigned STAR Ohio a rating of AAAM. 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, 2009

**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, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% to Total</u>
STAR Ohio	\$ 315,406	64.67
Repurchase agreement	<u>172,313</u>	<u>35.33</u>
Total	<u>\$ 487,719</u>	<u>100.00</u>

**NOTE 5 - RECEIVABLES**

Receivables at June 30, 2009, 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:

<b>Intergovernmental Receivables:</b>	<u>Amount</u>
State food service	\$ 136
Federal food service	12,707
IDEA-B	1,075
Title I-A	23,447
Title I school improvement	<u>704</u>
Total intergovernmental receivables	<u>\$ 38,069</u>

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for fiscal year 2009 was as follows:

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2009</u>
Capital assets:				
Furniture, fixtures & equipment	\$ 161,810	\$ 2,162	\$ (107,136)	\$ 56,836
Computers	<u>100,477</u>	<u>-</u>	<u>(100,477)</u>	<u>-</u>
Total capital assets	<u>262,287</u>	<u>2,162</u>	<u>(207,613)</u>	<u>56,836</u>
Less: accumulated depreciation:				
Furniture, fixtures & equipment	(106,987)	(8,804)	76,310	(39,481)
Computers	<u>(68,309)</u>	<u>-</u>	<u>68,309</u>	<u>-</u>
Total accumulated depreciation	<u>(175,296)</u>	<u>(8,804)</u>	<u>144,619</u>	<u>(39,481)</u>
Capital assets, net	<u>\$ 86,991</u>	<u>\$ (6,642)</u>	<u>\$ (62,994)</u>	<u>\$ 17,355</u>

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**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, 2009, 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	300,000
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, 2009

**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 and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://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 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended 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 to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$33,412, \$31,719 and \$37,648, respectively; 93.46 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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 website at [www.strsoh.org](http://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, 2009**

**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 2009, 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, 2009, 2008 and 2007 were \$90,916, \$81,657 and \$75,199, respectively; 98.67 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$59 made by the Academy and \$3,827 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 and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 9 - POSTEMPLOYMENT BENEFITS - (Continued)**

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$20,281, \$19,717 and \$17,659, respectively; 93.46 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$2,757, \$2,285 and \$2,560, respectively; 93.46 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**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](http://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 2009, 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, 2009, 2008, and 2007 were \$6,994, \$6,281 and \$6,608, respectively; 98.67 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

**NOTE 10 - OPERATING LEASES**

The Academy renewed an operating lease agreement on July 1, 2005 with St. Martin de Porres Parish, for the Academy's facility which shall continue from year to year with a minimum rent of \$133,200 annually until either party terminates the agreement. This agreement is, in substance, a facility rental agreement, and the facility lease payments for fiscal year totaled \$133,200, with \$11,100 being fiscal year 2010 prepaid rent.

**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 2009 totaled \$7,660.



**ENGLEWOOD PEACE ACADEMY  
LUCAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - CAPITALIZED LEASE - LESSEE DISCLOSURE - (Continued)**

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2009.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 4,289
Total minimum lease payment	4,289
Less: amount representing interest	<u>(159)</u>
Total	<u>\$ 4,130</u>

**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 2009 include \$37,371 in fiscal fees, \$22,942 in sponsorship fees and \$22,224 in contracted services. A liability in the amount of \$3,554 for June fiscal fees was accrued for fiscal year 2009.

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, 2009**

**NOTE 13 - PURCHASED SERVICES**

For fiscal year 2009, purchased services expenses were for services rendered by various vendors, as follows:

Professional and technical services	\$ 243,533
Property services	136,033
Travel	23,149
Communications	4,265
Utilities	65,231
Contracts	8,354
Total	<u>\$ 480,565</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, 2009.

**B. 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 2009, the results of this review resulted in a decrease of \$1,510 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, 2009**

**NOTE 16 – SUBSEQUENT EVENT AND SIGNIFICANT UNCERTAINTY**

Subsequent to year end, 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. Management has appealed ODE’s decision to close the Academy on the basis that ODE has made its determination improperly using the revised performance criteria, when it should have applied the criteria in effect at June 30, 2009 which criteria management believes were met by the Academy. This uncertainty raises substantial doubt about the Academy’s ability to continue as a going concern, which is primarily dependent on the Academy being successful in its appeal and in a time period which would allow the Academy to maintain sufficient student enrollment to sustain its operations. The financial statements do not include any adjustments that might be necessary if the Academy is unable to continue as a going concern.



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

Board of Directors  
Englewood Peace Academy  
1120 Horace Street  
Toledo, Ohio 43606

We have audited the accompanying basic financial statements of the Englewood Peace Academy ("Academy") as of and for the year ended June 30, 2009, which collectively comprise the Academy's basic financial statements as listed in the table of contents and have issued our report thereon dated March 2, 2010, which included an emphasis of a matter paragraph regarding a subsequent event and significant uncertainty. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Board of Directors  
Englewood Peace Academy

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Englewood Peace Academy in a separate letter dated March 2, 2010.

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



March 2, 2010

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

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 at its meeting on April 24, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666 (B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;
  - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
  - (6) A procedure for documenting any prohibited incident that is reported;
  - (7) A procedure for responding to and investigating any reported incident;
  - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying and from retaliation following a report;
  - (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
3. We noted that the current policy does not include the following requirement from Ohio Revised Code Section 3313.666 (B):
- 1) A requirement that the community school administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the community school has a web site, to the extent permitted by Section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

*William C. Brian Ltd.*

March 2, 2010





Mary Taylor, CPA  
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  
MAY 6, 2010