Academy of Business and Technology, Lucas County

Financial Report

June 30, 2007

Mary Taylor, CPA
Auditor of State

Board of Directors
Academy of Business and Technology
20755 Greenfield Road Suite 300
Southfield, MI 48075

We have reviewed the *Independent Auditor's Report* of the Academy of Business and Technology, Lucas County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2006 through June 30, 2007. 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 Academy of Business and Technology is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 28, 2008

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Academy of Business and Technology

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Independent Auditor's Report

To the Board of Directors
Academy of Business and Technology,
Lucas County

We have audited the accompanying basic financial statements of Academy of Business and Technology, Lucas County (the "Academy") as of and for the year ended June 30, 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 *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 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.

As described in Note 16, the Academy is in the process of obtaining an exemption from federal income taxes or real property taxes. Therefore, its net earnings may be subject to such income tax and real property taxes that have been assessed on its facilities. As a final tax status determination has not been made, we were unable to determine the effect that changes in the tax status may have on the Academy and the Academy's financial statements.

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 3 to the financial statements, the Academy has suffered losses from operations and has a net asset deficiency. Management's plans regarding those matters also are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In order to conform to State of Ohio accounting guidelines, the Academy recognizes all state and federal grant revenue when awarded regardless of when the revenue is expended and earned. Under accounting principles generally accepted in the United States of America, restricted grant revenue is recognized when earned as the related expenditures are incurred. Of the total revenue reported, $354,102 and $268,311 was unearned revenue as of July 1, 2006 and June 30, 2007, respectively. Because of this departure, operating revenue and net assets are overstated and deferred revenue is understated by material amounts.

To The Board Of Directors
Academy Of Business And Technology,
Lucas County

In our opinion, except for the uncertainties and departure from generally accepted accounting principles as discussed in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Academy of Business and Technology, Lucas County as of June 30, 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 a report dated March 3, 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, 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 opinions 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 should be read in conjunction with this report in assessing the results of our audit.

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

Plante & Moran, PLLC

March 3, 2008

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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*

To the Board of Directors
Academy of Business and Technology,
Lucas County

We have audited the financial statements of Academy of Business and Technology, Lucas County (the "Academy") as of and for the year ended June 30, 2007 and have issued a qualified opinion in our report thereon dated March 3, 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 *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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Academy of Business and Technology, Lucas County'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 entity'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity'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 entity's internal control.

Our consideration of the 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.

To the Board of Directors
Academy of Business and Technology,
Lucas County

Compliance and Other Matters

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

This report is intended solely for the information and use of the board of directors, management, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 3, 2008

This section of Academy of Business and Technology, Lucas County's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2007. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This report consists of a series of financial statements and notes to the financial statements. These statements are organized so the reader can understand Academy of Business and Technology, Lucas County financially as a whole.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements
Statement of Net Assets
Statement of Revenues, Expenses, and Changes in Net Assets (Deficit)
Statement of Cash Flows
Notes to the Basic Financial Statements

Reporting the Academy as a Whole - Academy-wide Financial Statements

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net assets and the statement of revenue, expenses, and changes in net assets (deficit), which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Academy's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net assets - as reported in the statement of revenue, expenses, and changes in net assets (deficit) - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the Academy.

The statement of net assets and the statement of revenue, expenses, and changes in net assets report the activities for the Academy, which encompass all the Academy's services, including instruction, support services, community services, and food service. Unrestricted state aid and state and federal grants finance most of these activities.

Table 1 provides a summary of the Academy's net assets for fiscal years 2007 and 2006:

TABLE 1

	2007	2006
Assets		
Current and other assets	$ 1,156,573	$ 1,200,624
Capital assets	64,451	87,526
Total assets	1,221,024	1,288,150
Liabilities - Current liabilities	1,261,015	1,615,994
Net Assets (Deficit)		
Invested in capital assets	64,451	87,526
Unrestricted deficit	(104,442)	(415,370)
Total net assets (deficit)	**$ (39,991)**	**$ (327,844)**

The Academy's net assets increased over the previous year. The increase in net assets was approximately $288,000.

The above analysis focuses on the net assets (see Table 1). The change in net assets of the Academy is discussed below (see Table 2). The Academy's deficiency in net assets was $(39,991) at June 30, 2007. Capital assets recorded at historical cost, net of depreciation, totaled $64,451. No long-term debt was used to finance the acquisition of those assets. The remaining amount of net asset deficiency of $(104,442) was unrestricted.

The $(104,442) deficit in unrestricted net assets represents the accumulated results of the past year's operations. Since the unrestricted net assets balance is in a deficit, the Academy has difficulty meeting its working capital and cash flow requirements. The liabilities of the Academy are financed through a balance owed to the management company. The operating results of the Academy will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Academy as a whole are reported in the statement of revenue, expenses, and changes in net assets, which shows the changes in net assets for fiscal years 2007 and 2006 (see Table 2).

TABLE 2

	2007	2006
Operating Revenues		
Foundation payments	$ 1,200,947	$ 1,561,858
Disadvantaged Pupil Impact Aid	439,608	508,351
Food sales	1,223	1,262
Other	913	4,707
Nonoperating Revenues		
Federal grants	174,139	416,934
State grants	14,776	3,429
Total revenue	1,831,606	2,496,541
Operating Expenses		
Salaries	792,838	957,159
Fringe benefits	215,590	274,747
Purchased services	429,843	1,232,269
Materials and supplies	67,836	201,117
Depreciation	37,646	161,074
Total expenses	1,543,753	2,826,366
Increase (Decrease) in Net Assets	**$ 287,853**	**$ (329,825)**

As reported in the statement of revenue, expenses, and changes in net assets (deficit), the cost of all of our activities this year was $1,543,753. Certain activities were funded by those who benefited from the programs, or by other governments and organizations that subsidized certain programs with grants and contributions. We paid for the remaining public benefits portion of our business-type activities with $1,640,555 in state foundation and DPIA allowance.

The Academy experienced an increase in net assets of $287,853. The primary factor for that increase was the result of a decision to waive management, overhead, and rental fees payable to the Academy's management agent. The waiver of fees by the management agent was a critical component of a plan to eliminate the Academy's net asset deficit.

Capital Assets

As of June 30, 2007, the Academy had $793,731, before depreciation, invested in capital assets, including leasehold improvements, furniture, and equipment. This amount represents a net increase, including additions and disposals, of $14,572 for furniture and equipment. No debt was issued for these additions. No major capital projects are planned for the 2007-2008 fiscal year.

Capital assets, net of depreciation, for fiscal years 2007 and 2006 are as follows:

	2007	2006
Leasehold improvements	$ 10,934	$ 14,134
Furniture and equipment	53,517	73,391
Total capital assets	**$ 64,451**	**$ 87,525**

For more information on capital assets, see Note 6 to the basic financial statements.

Debt

At the end of fiscal year 2007, the Academy did not have any outstanding debt other than normal trade payables, which are recorded on an accrual basis. The majority of the trade payables are owed to the management company.

Economic Factors

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 90 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's school aid, the actual revenue received depends on the State's ability to collect revenues. The impact on the Academy of the State's projected revenue is not known.

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens 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 information, contact Andrew Burks, Fiscal Officer of the Academy of Business and Technology, Lucas County, at Charter School Administration Services, 20755 Greenfield Road, Suite 300, Southfield, Michigan, 48075 or 1-800-425-1415.

Academy of Business and Technology, Lucas County

Statement of Net Assets (Deficit)
June 30, 2007

Assets	
Cash (Note 4)	$ 76,932
Accounts receivable	59,777
Intergovernmental receivables (Note 5)	374,466
Prepaid items	645,398
Capital assets - Net of accumulated depreciation (Note 6)	64,451
Total assets	1,221,024
Liabilities - Current	
Accounts payable	1,182,216
Accrued wages and benefits	78,799
Total liabilities	1,261,015
Net Assets (Deficit)	
Investment in capital assets	64,451
Unrestricted deficit	(104,442)
Total net deficit	**$ (39,991)**

The Notes to Financial Statements are an
Integral Part of this Statement.

Academy of Business and Technology, Lucas County

Statement of Revenues, Expenses, and Changes in Net Assets (Deficit)
Year Ended June 30, 2007

Operating Revenues	
Foundation payments	$ 1,200,947
Disadvantaged Pupil Impact Aid	439,608
Food sales	1,223
Other revenues	913
Total operating revenues	1,642,691
Operating Expenses	
Salaries	792,838
Fringe benefits	215,590
Purchased services (Note 15)	429,843
Materials and supplies	67,836
Depreciation	37,646
Total operating expenses	1,543,753
Operating Income	98,938
Nonoperating Revenues - Grants received	
Federal	174,139
State	14,776
Total nonoperating revenues	188,915
Change in Net Assets	287,853
Net Assets (Deficit) - July 1, 2006	(327,844)
Net Assets (Deficit) - June 30, 2007	**$ (39,991)**

The Notes to Financial Statements are an
Integral Part of this Statement.

Statement of Cash Flows
Year Ended June 30, 2007

Cash Flows from Operating Activities	
Cash received from foundation payments	$ 1,200,947
Cash received from Disadvantaged Pupil Impact Aid	439,608
Cash received from food program	1,223
Cash received from other revenues	913
Cash payments to suppliers for goods and services	(972,369)
Cash payments to employees for services	(762,145)
Cash payments for employee benefits	(238,992)
Net cash used in operating activities	(330,815)
Cash Flows from Noncapital Financing Activities - Grants received	
Federal	263,654
State	14,776
Net cash provided by noncapital financing activities	278,430
Cash Flows from Capital and Related Financing Activities - Payments for capital acquisitions	(14,572)
Net Decrease in Cash	(66,957)
Cash - Beginning of year	143,889
Cash - End of year	**$ 76,932**
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 98,938
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	37,646
Changes in assets and liabilities:	
Increase in accounts receivable	(58,237)
Increase in prepaid items	(54,182)
Decrease in accounts payable	(362,271)
Increase in accrued wages and benefits	7,291
Total adjustments	(429,753)
Net cash used in operating activities	**$ (330,815)**

The Notes to Financial Statements are an Integral Part of this Statement.

Note 1 - Description of the School and Reporting Entity

Academy of Business and Technology, Lucas County (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through eight. The Academy's objective is to prepare all students to be successful citizens, cooperative workers, and profitable entrepreneurs by developing their unique potential. 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 sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy has renewed the charter under the oversight of Ashe Cultural Center (the "Sponsor") for a period of three years commencing June 30, 2006 and ending April 14, 2009. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. In consideration of permitting the creation of the Academy, for the time, organization, oversight, fees, and costs of the Sponsor, the Academy makes annual payments of 3 percent of the total state funds received each year to the Sponsor.

The Academy operates under the direction of a five-member board of directors. The board of directors is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by nine noncertified and 18 certified full-time teaching personnel who provide services to 218 students.

The governing board has entered into a management contract with Charter School Administration Services, Inc. (CSAS) to provide consulting services, including teacher training, curriculum development, financial management, and state relations (see Note 10).

Note 2 - Summary of Significant Accounting Policies

Except as described below, the financial statements of Academy of Business and Technology, Lucas County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental organizations. In order to conform to State of Ohio accounting guidelines, the Academy recognizes all state and federal grant revenue when awarded regardless of when the revenue is expended and earned. Under generally accepted accounting principles, restricted grant revenue is recognized when earned as the related expenditures are incurred.

Note 2 - Summary of Significant Accounting Policies (Continued)

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 to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The more significant of the Academy's accounting policies are described below.

FASB standards of accounting issued prior to November 30, 1989 generally are followed to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The Academy has elected to also follow FASB guidance issued after November 30, 1989 for its activities.

Basis of Presentation - The Academy's basic financial statements consist of a statement of net assets, a statement of revenue, expenses, and changes in net assets (deficit), and a statement of cash flows. Enterprise Fund reporting focuses on the determination of the change in net assets, financial position, and cash flows.

Measurement Focus - Enterprise Fund accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenue, expenses, and changes in net assets (deficit) 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.

Basis of Accounting - The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Nonexchange transactions are transactions in which the Academy receives value without directly giving equal value in return and include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which the Academy is notified of the award.

Expenses are recognized at the time they are incurred.

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process - Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the academy and its sponsor. The contract between the Academy and the Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast that is to be updated on an annual basis.

Cash and Cash Equivalents - All monies received by the Academy are accounted for by the Academy's management company, Charter School Administration Services, Inc., which serves as the Academy's fiscal agent. All cash received by the fiscal agent is maintained in a separate bank account in the Academy's name. Monies for the Academy are maintained in this account.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2007 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

Capital Assets - Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of $1,000. The Academy does not possess any infrastructure. There are no construction period interest costs.

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

Leasehold improvements	5 years
Furniture and equipment	5 years

Compensated Absences - Vacation benefits are accrued as a liability as the benefits are earned if employees' rights to receive compensation are attributable to services already rendered and it is probable that the Academy will compensate the employees for the benefits through paid time off or some other means. The Academy records a liability for accumulated unused vacation time when earned for all employees who are eligible for vacation.

Note 2 - Summary of Significant Accounting Policies (Continued)

Accrued Liabilities Payable - The Academy has recognized certain liabilities on its statement of net assets relating to expenses which are due but unpaid as of June 30, 2007, including accounts payable and salary payments made after year end that were for services rendered in fiscal year 2007. Certain teaching personnel are paid year round; however, payments during the summer months were earned as of June 30. Therefore, a liability has been recognized at June 30, 2007 for all salary payments made to teaching personnel during summer 2007.

Net Assets - Net assets represent the difference between assets and liabilities. Investment in capital assets consists of capital assets, net of accumulated depreciation.

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as nonoperating.

Intergovernmental Revenues - The Academy currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which the Academy is notified of the program amount.

Grants and entitlements are recognized as nonoperating revenues in the accounting period in which the grant is awarded.

The Academy also participates in various state and federal operating grants. Grants awarded in 2007 include the following: Title I, Title II-A, Title II-D, Title IV, Title V, IDEA-B, Repair and Renovation, EMIS, and meal reimbursement program. Revenue received under the above-named programs is recognized as nonoperating revenue in the accompanying financial statements.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 - Going Concern

The Academy has incurred operating deficits over several years, resulting in a net asset deficiency. The Academy has formulated a deficit reduction plan to eliminate the operating deficit. The plan calls for increased student enrollment and reduction in operating costs.

Note 4 - Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of the Academy's deposits was $76,932 and the bank balance was $279,729. As of June 30, 2007, $179,729 of the Academy's deposit balance was uninsured and uncollateralized. The Academy has no deposit policy for custodial credit risk.

Investments - During the year ended June 30, 2007, the Academy had no investments. The Academy has no investment policy that addresses any restriction on investments relating to interest rate, credit, or custodial credit risks.

Note 5 - Receivables

Receivables at June 30, 2007 consisted of accounts and intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of principal items of intergovernmental receivables follows:

Title I	$	218,716
Title II-A		61,935
Title II-D		1,085
Title IV		10,414
Title V		70
Title VI-B IDEA-B		82,246
Total intergovernmental receivables	$	374,466

Note 6 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Balance June 30, 2007
Capital assets being depreciated:			
Leasehold improvements	$ 575,219	$ -	$ 575,219
Furniture and equipment	203,940	14,572	218,512
Subtotal	779,159	14,572	793,731
Accumulated depreciation:			
Leasehold improvements	561,085	3,200	564,285
Furniture and equipment	130,549	34,446	164,995
Subtotal	691,634	37,646	729,280
Net governmental capital assets	$ 87,525	$ (23,074)	$ 64,451

Note 7 - Risk Management

Property and Liability - The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the Academy contracted with Employers Mutual Casualty Company for general liability and property insurance with a $1,000,000 single occurrence limit and $2,000,000 aggregate limit and no deductible. Professional liability is protected by excess insurance coverage with an $8,000,000 single occurrence limit and an $8,000,000 aggregate and no deductible. Automobile liability for bodily injury and/or property damage has a $1,000,000 single occurrence limit. The Academy also has an $8,000,000 liability umbrella policy from Employers Mutual Casualty Company.

Settled claims have not exceeded this commercial coverage in any of the past two years. There has been no significant change in insurance coverage from last year.

Workers' Compensation - The Academy pays the state workers' compensation system a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

Note 8 - Defined Benefit Pension Plans

School Employees' Retirement System

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 Charter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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 healthcare benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by SERS' retirement board. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were $13,219, $25,534, and $21,337, respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005.

State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. SERS Ohio issues a stand-alone financial report that may be obtained by writing to SERS Ohio, 275 E. Broad St., Columbus OH, 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strs.org.

Note 8 - Defined Benefit Pension Plans (Continued)

New members have a choice of three retirement plan options. In addition to the defined benefit (DB) plan, new members are offered a defined contribution (DC) plan and a combined plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 their 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 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. DC and combined plan members will transfer to the DB plan during the fifth year of membership unless they permanently select the DC or combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one-time irrevocable decision to transfer their account balances from the existing DB plan into the DC plan or the combined plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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 balances. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2007, 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. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. 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, 2007, 2006, 2005 were $86,882, $110,869, and $115,258, respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005. Contributions to the DC and combined plans for fiscal year 2007 were $104,148 made by the Academy and $66,855 made by the plan members.

Note 9 - Postemployment Benefits

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

All STRS Ohio retirees who participate in the DB or combined plans and their dependents are eligible for healthcare coverage. The STRS Ohio Board has statutory authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the Academy, this amount totaled $6,683 for fiscal year 2007.

STRS Ohio pays healthcare benefits from the Health Care Stabilization Fund. At June 30, 2007, the balance in the fund was $4.1 billion. For the year ended June 30, 2007, net healthcare costs paid by STRS totaled $265,558,000 and STRS had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more fiscal years of qualifying service credit and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their healthcare premium. The portion is based on years of service, Medicare eligibility, and retirement status.

After allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing healthcare benefits. For the fiscal year ended June 30, 2007, employer contributions to fund healthcare benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006.

In addition, SERS levies a surcharge to fund healthcare benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2007, the minimum pay was established at $35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the Academy, the amount contributed to fund healthcare benefits, including the surcharge, during the 2007 fiscal year totaled $4,109.

Note 9 - Postemployment Benefits (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the healthcare fund. The target level for the healthcare reserve is 150 percent of the projected claims less premiums contributed for the next year. Expense for health care at June 30, 2006 (the latest information available) was $158,751,207. At June 30, 2006, SERS had net assets available for payment of healthcare benefits of $295,600,000. SERS had 59,492 participants eligible to receive benefits.

Note 10 - Agreement with Charter School Administration Services, Inc.

The Academy entered into a five-year contract, effective July 1, 1999 through June 30, 2004, with Charter School Administration Services, Inc. for educational management services. The contract contains a provision which extends the contract for successive one-year periods unless terminated by either party. In exchange for its services, CSAS receives a management fee equal to 12 percent of all revenue sources and is reimbursed for all costs incurred on behalf of the Academy. Terms of the contract require CSAS to provide the following:

a. The support necessary for the provision of educational services to students and the management, operation, and maintenance of the Academy

b. Implementation and administration of the educational program, including the selection and acquisition of instructional materials, equipment and supplies, and the administration of any and all extracurricular and co-curricular activities and programs

c. All personnel functions, including professional development for the Academy administrator, all instructional personnel, and support staff

d. Control, maintenance, and operation of the Academy building and the installation of technology integral to the Academy design

e. All aspects of the business administration of the Academy

f. Transportation and food service for the Academy

g. A projected annual budget prior to each school year

h. Detailed statements of all revenues received, from whatever source, and detailed statements of all direct expenditures for services rendered to or on behalf of the Academy, whether incurred on-site or off-site, upon request

i. Support for annual audits in compliance with state law and regulations, showing the manner in which funds are spent at the Academy

Note 10 - Agreement with Charter School Administration Services, Inc. (Continued)

j. Reports on Academy operations, finances, and student performance, upon request, but not less frequently than four times per year

k. Any other function necessary or expedient for the administration of the Academy

For the year ended June 30, 2007, the Academy's management company waived its contractual fees of $217,773 to assist the Academy in eliminating its deficit. The management company also waived overhead fees of $199,660. At June 30, 2007, the majority of the Academy's accounts payable balances are due to the management company.

Note 11 - Contingencies

Grants - The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007. During the fiscal year ended June 30, 2005, the Academy was notified of prior questioned costs related to these grants of $451,849. No liability has been recorded in relation to these questioned costs as of June 30, 2007 because granting agencies have not indicated that repayment of the questioned costs is necessary.

State Funding - The Ohio Department of Education reviews enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. For fiscal year 2007, the results of this review are not concluded. However, in the opinion of management, any changes to enrollment data will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

Note 12 - Operating Leases

The Academy has two lease agreements for facilities with Education Real Estate, Inc. (formerly known as CSAS Real Estate), effective through June 30, 2009. Education Real Estate, Inc. is a company owned by the principal owners of the Academy's management company, Charter School Administrative Services, Inc.

Education Real Estate, Inc. waived the lease payments for the 2007 fiscal year to enable the Academy to minimize its operating deficit.

The Academy entered into several leases for copiers - two commencing February 27, 2004 for 36 months; one commencing April 18, 2004 for 36 months; and one commencing April 1, 2006 for 36 months. The copiers are owned by Savin Credit Corporation, GE Capital, and Ricoh Business Systems. Payments made totaled $22,303 for the fiscal year.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2007:

Years Ending June 30	Facility Lease	Copiers
2008	$ 589,800	$ 7,956
2009	589,800	3,480
Total	$ 1,179,600	$ 11,436

Note 13 - Related Parties

Two of the board members of the Academy are also board members of Academy of Cleveland and Academy of Dayton. Members of the board of directors are not compensated.

The Academy entered into two lease agreements through June 30, 2009 with Education Real Estate, Inc. for facilities (see Note 12). Education Real Estate, Inc. is the real estate affiliate of Charter School Administration Services, Inc., the Academy's management company. Lease payments for the year ended June 30, 2007 to Education Real Estate, Inc. were waived, as discussed in Note 12.

Note 14 - Consortium Agreement

On January 14, 2000, the governing board approved joining a consortium with 18 other charter schools and public school academies, each of which is managed by Charter School Administration Services, Inc. (CSAS) under management agreements comparable to the management agreement between the Academy and CSAS (see Note 10). The members of the consortium are as follows:

Academy	State of Operation
Academy of Cleveland	Ohio
Academy of Dayton	Ohio
Academy of Kansas City	Missouri
Academy of Arizona	Arizona
Academy of Beaumont	Texas
Academy of Dallas	Texas
Bexar County Academy	Texas
Academy of Lithonia	Georgia
Academy of Detroit West	Michigan
Academy of Oak Park	Michigan
Academy of Michigan	Michigan
Academy of Southfield	Michigan
Academy of Lathrup Village	Michigan
Academy of Flint	Michigan
Academy of Inkster	Michigan
Academy of Warren	Michigan
Academy of Waterford	Michigan
Academy of Westland	Michigan
Cherry Hill School of Performing Arts	Michigan

The management agreement between the Academy and CSAS provides for the allocation of indirect costs incurred by CSAS on behalf of the Academy and the other members of the consortium. Based upon the count of students at the Academy and the other members of the consortium as of September 2000 and the experiences of CSAS in both incurring costs for the consortium members and allocation of such costs to consortium members, the Academy and CSAS have agreed upon an equitable method of such allocation. Based upon the student count, the Academy shall pay CSAS for all indirect reimbursable expenses incurred by CSAS on behalf of the Academy and other members of the consortium for the 2006-2007 school year an amount equal to $67 per month per student enrolled at the Academy. However, in the current year, CSAS waived all indirect reimbursable expenses.

Note 15 - Other Purchased Services

During the year ended June 30, 2007, other purchased service expenses for services rendered by various vendors were as follows:

Taxes to Education Real Estate, Inc.	$	18,098
Consulting fees		74,805
Food service		80,881
Utilities		51,275
Administrative fees to Sponsor		48,485
Professional fees		31,743
Maintenance and repairs		31,438
Miscellaneous		7,128
Telephone		32,173
Meeting expenses		11,442
Insurance		26,855
Advertising		12,124
Leased equipment		3,396
Total	$	429,843

Note 16 - Tax-exempt Status

The Academy has not filed for tax-exempt status under §501(c)(3) of the Internal Revenue Code; however, the Academy is in the process of filing the required documents and has retained counsel to prepare and handle the required filings. The Academy has not filed tax returns and has made no provision for any potential future tax liability which could result from not obtaining the §501(c)(3) tax-exempt status.

In addition, the Academy has not paid nor made an accrual for back property taxes owed on the property it is currently leasing. The Academy is in the process of seeking a real property tax exemption for that property. If the Academy is not successful in obtaining the exemption, it will be assessed the property taxes not paid during prior years.

ACADEMY OF BUSINESS AND TECHNOLOGY

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
JUNE 10, 2008