

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
AUDITED FINANCIAL STATEMENTS
FRANKLIN COUNTY
FOR THE YEAR ENDED JUNE 30, 2011



Dave Yost • Auditor of State

Board of Directors
Focus Learning Academy of Northern Columbus
4807 Evanswood Drive
Columbus, Ohio 43232

We have reviewed the *Independent Auditor's Report* of the Focus Learning Academy of Northern Columbus, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Focus Learning Academy of Northern Columbus is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 27, 2011

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FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS

FRANKLIN COUNTY

TABLE OF CONTENTS

TITLE PAGE

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statements:	
Statement of Net Assets	7
Statement of Revenues, Expenses and Changes in Net Assets.....	8
Statement of Cash Flows.....	9
Notes to the Basic Financial Statements	11
Independent Auditor’s Report on Internal Control over Financial Reporting and On Compliance and Other Matters In Accordance with Government Auditing Standards.....	23
Independent Auditor’s Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A133.....	25
Schedule of Expenditures of Federal Awards – Cash Basis.....	27
Notes to the Schedule of Expenditures of Federal Awards – Cash Basis.....	28
Schedule of Findings and Questioned Costs.....	29
Independent Accountant’s Report on Applying Agreed Upon Procedures.....	31

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 18, 2011

To The Board of Directors
Focus Learning Academy of Northern Columbus
4807 Evanswood Drive
Columbus, OH 43229

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Focus Learning Academy of Northern Columbus (the School), as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Focus Learning Academy of Northern Columbus, as of June 30, 2011, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As described in Note 17 to the financial statements, the school has suffered recurring losses from operations subsequent to year end. This raises substantial doubt about the School's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 17. The financial statements do not include any adjustments that might result from the outcome of uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Rea & Associates, Inc.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011 UNAUDITED**

The discussion and analysis of Focus Learning Academy of Northern Columbus (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

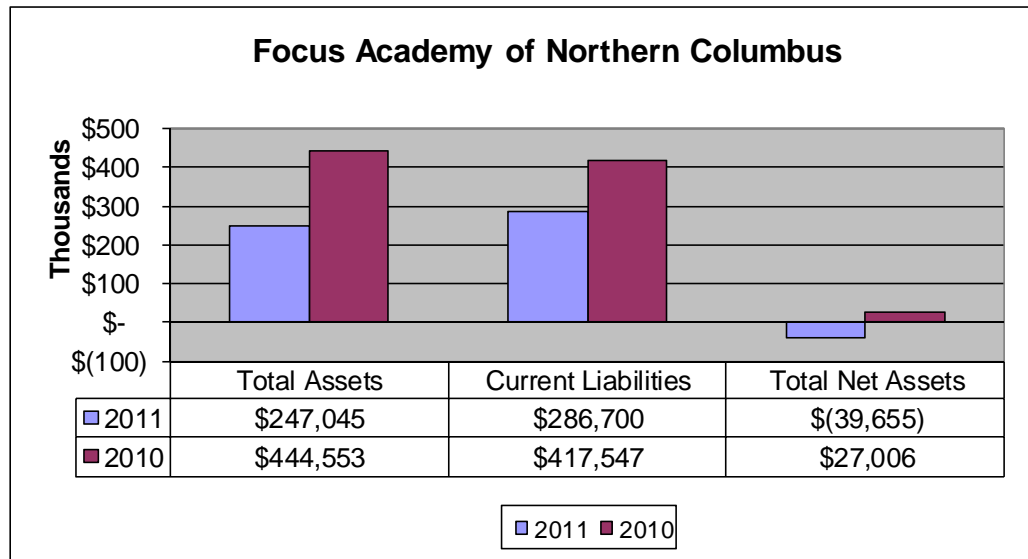
Key financial highlights for fiscal year 2011 are as follows:

- Total net assets decreased \$66,661 in fiscal year 2011.
- Due to an increase in enrollment, state aid increased from \$2,047,633 in fiscal year 2010 to \$2,122,627 in fiscal year 2011.
- Similarly, total expenses increased from \$3,132,843 in fiscal year 2010 to \$3,266,514 in fiscal year 2011.
- Total liabilities decreased \$130,847 with current assets decreasing \$197,508 in fiscal year 2011.

Using this Financial Report

This annual report consists of a series of financial statements and notes to those statements.

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* reflect how the School did financially during fiscal year 2011. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.



These two statements report the School's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs and other factors.

The School uses enterprise presentation for all of its activities.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011 UNAUDITED
(Continued)**

Table 1 provides a summary of the School's net assets for 2011 compared to the prior year.

(Table 1)

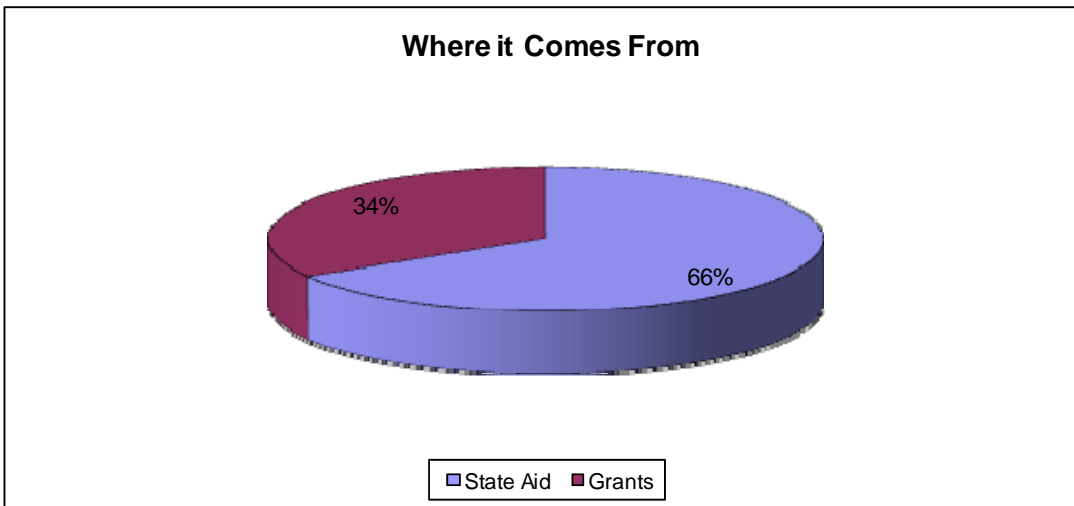
Statement of Net Assets

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets	\$ 247,045	\$ 444,553
Liabilities		
Current Liabilities	265,037	417,547
Long Term Liabilities	21,663	-
Total Liabilities	<u>286,700</u>	<u>417,547</u>
Net Assets		
Unrestricted	<u>\$ (39,655)</u>	<u>\$ 27,006</u>

Cash and other current assets decreased 44.4 percent (from \$444,553 in 2010 to \$247,045 in 2011). This is due to decreased intergovernmental receivables from state foundation and federal grants as of June 30, 2011.

Current Liabilities decreased 31.3 percent. Accounts payable decreased from \$417,547 in 2010 to \$226,916 as a result of payment of amounts owed to Eschool Consultants, LLC. related to the management agreement for state and federal grants receivable.

Total net assets decreased by \$66,661 (246.8 percent). This decrease is due to increased costs from the expansion of K-8 students. The school now serves grades K-12.



**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011 UNAUDITED
(Continued)**

Table 2 shows Changes in Net Assets for the past 2 years.

(Table 2)
Change in Net Assets

	2011	2010
<u>OPERATING REVENUE</u>		
State Aid	\$ 2,122,627	\$ 2,047,633
<u>NON-OPERATING REVENUE</u>		
Grants	1,077,210	1,098,656
Interest Income	16	-
Total Revenues	3,199,853	3,146,289
<u>OPERATING EXPENSES</u>		
Advertising	1,670	2,084
Auditing and Accounting	33,108	31,677
Board Meeting Expense	500	13,125
Facilities	90,603	114,472
Instructional Services	12,867	-
Legal Fees	18,550	16,884
Liability Insurance	9,118	-
Other Services	3,280	4,689
Purchased Services: Management Fees	1,970,101	1,789,827
Purchased Services: Grant Programs	1,064,344	1,098,656
Sponsor Fees	62,373	61,429
Total Expenses	3,266,514	3,132,843
Change in Net Assets	\$ (66,661)	\$ 13,446

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State foundation and from federal entitlement programs. Foundation payments made up 66% of revenues for the School in fiscal year 2011. Grant revenue decreased from \$1,098,656 in fiscal year 2010 to \$1,077,210 in fiscal year 2011. Expenses increased from \$3,132,843 in fiscal year 2010 to \$3,266,514 in fiscal year 2011. This is due to increased grant funding, rent for the k-8 building, and increase in expenses associated with increased enrollment. Full-time equivalent enrollment remained constant at 314 students in fiscal year 2010 and 2011. The school's net loss for fiscal year 2011 is primarily due to increased expenses related to the expansion of the school to grades k-12.

Budgeting Highlights

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the community school's contract with its Sponsor. The contract between the School and its Sponsor does prescribe a budgetary process. The School has developed a one year spending plan and a five-year projection that is reviewed periodically by the Board of Trustees.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2011 UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal year 2011, the School had no capital assets. Per the management agreement, all capital assets are owned by Eschool Consultants, LLC.

Debt

At June 30, 2011, the School has debt in the form of a notes payable to USA Transportation and Eschool consultants (see notes 12 and 13). Total outstanding loans at June 30, 2011 is \$59,784.

Current Financial Related Activities

The School is in its fifth year with Eschool Consultants, LLC as its management company. The school received approval to increase its grade offering from 9-12 to K-12. As a result, enrollment increased by 72 students. The School's sponsor, Buckeye Community Hope Foundation, receives a fee of 3% of state aid. This will allow the Board to retain 4% of state aid to meet its obligations. Effective July 1, 2011, the Board took over operations from Eschool and now has hired a Superintendent and all other personnel,

Contacting Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, Fiscal Officer for the Focus Learning Academy of Northern Columbus, 65 E. Wilson Bridge Rd, Suite 200, Worthington, OH 43085 or e-mail at badams@ocscltd.com.

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 33,460
Intergovernmental Receivable	<u>213,585</u>

Total Assets	<u>247,045</u>
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LIABILITIES

Current Liabilities

Accounts Payable	226,916
Notes Payable, Due within one year	<u>38,121</u>

Total Current Liabilities	<u>265,037</u>
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Long-Term Liabilities:

Notes Payable, Due in more than one year	<u>21,663</u>
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Total Liabilities	<u>286,700</u>
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NET ASSETS

Unrestricted	<u>(39,655)</u>
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Total Net Assets	<u>\$ (39,655)</u>
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See accompanying notes to the basic financial statements

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Operating Revenues	
State Aid	<u>\$2,122,627</u>
Operating Expenses	
Purchased Services: Management Fees	1,970,101
Purchased Services: Grant Programs	1,064,344
Instructional Services	12,867
Sponsor Fees	62,373
Board of Education	500
Legal Fees	18,550
Auditing and Accounting	33,108
Facilities	90,603
Insurance	9,118
Advertising	1,670
Miscellaneous	<u>3,280</u>
Total Operating Expenses	<u>3,266,514</u>
Operating Loss	<u>(1,143,887)</u>
Non-Operating Revenues/(Expenses)	
Federal and State Grants	1,077,210
Interest Income	<u>16</u>
Total Non-Operating Revenues	<u>1,077,226</u>
Change in Net Assets	(66,661)
Net Assets Beginning of Year	<u>27,006</u>
Net Assets End of Year	<u>\$ (39,655)</u>

See accompanying notes to the basic financial statements

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities

Cash Received from State	\$ 2,165,498
Cash Payments for Goods and Services	<u>(3,417,145)</u>

Net Cash Used for Operating Activities	(1,251,647)
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CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants Received	1,204,783
Proceeds from Notes Payable	<u>19,784</u>

Net Cash Provided by Noncapital Financing Activities	1,224,567
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CASH FLOWS FROM INVESTING ACTIVITIES

Cash Received from Interest on Investments	16
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NET INCREASE IN CASH AND CASH EQUIVALENTS	(27,064)
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CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	<u>60,524</u>
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CASH AND CASH EQUIVALENTS END OF YEAR	<u><u>\$ 33,460</u></u>
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**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED FOR OPERATING ACTIVITIES**

Operating Loss	\$ (1,143,887)
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**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET
CASH USED FOR OPERATING ACTIVITIES**

Changes in Assets and Liabilities:	
Accounts Receivable	11,168
Intergovernmental Receivable	42,871
Accounts Payable	<u>(161,799)</u>

Net Cash Used for Operating Activities	<u><u>\$ (1,251,647)</u></u>
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See accompanying notes to the basic financial statements

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**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

Focus Learning Academy of Northern Columbus (formerly Life Skills Center of Northern Columbus) (the School) is a state nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service. The School, which is part of the State's education program, is independent of any school district. The School may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the School.

The School contracts with Eschool Consultants, LLC (ESCHOOL) for most functions. See Note 5.

The School was approved for operation under contract with the Ohio State Board of Education (the Sponsor) for a period of five years from May 16, 2000 through June 30, 2005. In April 2005, Buckeye Community Hope Foundation became the sponsor. The School operates under a self-appointing five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility, which is leased by ESCHOOL. The facility is staffed with teaching personnel employed by ESCHOOL, who provide services to 314 students.

The Ellendale Group, a state nonprofit organization established pursuant to Ohio Rev. Code Chapter 1702, was originally formed in September 2001 to provide a fostering structure for the provision, development and management of one or more community schools in Franklin County, Ohio, and for any and all lawful purposes for which a corporation may be formed under Chapter 1702 of the Revised Code. The Ellendale Group intended to govern approved contracts for community schools with the following names: the Life Skills Center of Columbus, the Life Skills Center of Southwestern Ohio and the Life Skills Center of Montgomery County (name to be changed once location of school was determined).

Pursuant to the instruction and requirement of the Ohio Department of Education with respect to the three (3) Life Skills Centers in the Columbus area, and the assignments of each community school contract, a separate nonprofit entity had to be formed to govern each School. As a result, the Ellendale Group amended its articles of incorporation in June 2002 in order to change the name of the nonprofit to the Life Skills Center of Southeastern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Columbus. A nonprofit was formed May 2002 in the name of the Life Skills Center of Northern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Montgomery County. Also formed in May 2002 was the nonprofit entity the Life Skills Center of Southwestern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Southwestern Ohio.

On June 22, 2006, the Board changed the name to Focus Learning Academy of Northern Columbus from Life Skills Center of Northern Columbus as the results of the change in management company which owns the "Life Skills" trade name.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with GASB pronouncements. The more significant of the School's accounting policies are described below.

A. BASIS OF PRESENTATION

The School'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.

The School uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The Statement of Cash Flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes. 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. Revenues resulting from non-exchange transactions, in which the School received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

C. BUDGETARY PROCESS

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

D. CASH AND CASH EQUIVALENTS

All cash received by the School is maintained in a demand deposit account. The School did not have any investments during fiscal year 2011.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. CAPITAL ASSETS AND DEPRECIATION

The School operates under a management agreement with ESCHOOL, and as such the School has no capital assets. (See Note 5)

F. INTERGOVERNMENTAL REVENUES

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the Career Based Intervention (CBI) Program, which are reflected under "State Aid" on the Statement of Revenues, Expenses and Changes in Net Assets. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements, include 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 School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2011 school year totaled \$3,199,837.

G. OPERATING REVENUES AND EXPENSES

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

H. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use, either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or contracts. The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

I. USE OF ESTIMATES

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

3. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned. The School does not have a deposit policy for custodial credit risk. At June 30, 2011, the carrying amount of the School's deposits was \$33,460 and the bank balance was \$33,460. Of the bank balance, all was covered by federal depository insurance. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure, \$0 was uninsured and uncollateralized. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

4. RISK MANAGEMENT

Property and Liability - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of its management agreement with ESCHOOL, ESCHOOL has contracted with an insurance company for property and general liability insurance pursuant to the Management Agreement (See Note 5). Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

Director and Officer - Coverage has been purchased by the School with a \$1,000,000 aggregate limit and no deductible.

Worker's Compensation - ESCHOOL is responsible for paying the State Workers Compensation System a premium for employee injury coverage.

5. AGREEMENT WITH ESCHOOL

Effective July 1, 2006, the School entered into a three-year Management Agreement (Agreement) with ESCHOOL, which is an educational consulting and management company. The agreement's termination date is June 30, 2010. ESCHOOL is responsible and accountable to the Board for the administration, operation and performance of the School in accordance with the School's contract with the Ohio State Board of Education to operate the School. The School had purchased service expenses for the year ended June 30, 2011 to ESCHOOL of \$3,034,445. Significant provisions of the Agreement are as follows:

Management, Consulting, and Operation Fee. The School is required to pay ESCHOOL a monthly continuing fee of 93% of the School's "qualified gross revenues", defined in the Agreement as, "...all educational revenues received from the federal, state, and/or local government...does not include student fees, contributions and PTA/PTO income and misc. revenue received...also does not include any state or federal funding that is meant to be a dollar for dollar reimbursement for expenditures made by the company" and "shall be paid 100% of all contributions and grants not specifically referenced above received by the Non Profit as a result of the company's efforts" The continuing fee is paid to ESCHOOL based on the previous month's qualified gross revenues.

Other School Financial Responsibilities. The School is responsible for its directors' and officers' insurance, legal fees for School Board representation and general corporate matters, accounting, audit, tax and consulting fees for the School, and other miscellaneous expenses not incurred in the normal day-to-day operation of the School.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

5. AGREEMENT WITH ESCHOOL (continued)

ESCHOOL Financial Responsibilities Except as otherwise provided in the Agreement, all costs incurred in providing the educational program at the School are to be paid by ESCHOOL. Such costs include, but are not limited to, salaries and benefits for all personnel, curriculum materials, textbooks, library books, computer and other equipment, software, supplies, building payments, maintenance, and capital improvements. An exception for facilities is listed in Note 12. All personal property used in the operation of the School is the property of ESCHOOL, unless purchased directly by the School with Federal funds.

ESCHOOL is required to maintain, at ESCHOOL'S expense, commercial general liability insurance in the name of the School in an amount not less than \$1 million per occurrence and \$2 million in the aggregate, and excess umbrella liability insurance of not less than \$10 million per occurrence and \$15 million in the aggregate.

Personnel. ESCHOOL has the responsibility and authority to determine staffing levels, and to select, evaluate, assign, discipline, transfer and terminate personnel, consistent with state and federal law and the Contract.

Compensation and benefits of all employees of the School is paid by ESCHOOL. If ESCHOOL fails to pay this compensation, the School, in its sole discretion, may pay such compensation and offset the amount by withholding an equal amount from the fees owed to ESCHOOL under the Agreement.

Termination by the School. The School may terminate the Agreement in the event ESCHOOL materially breaches the Agreement or the Contract and ESCHOOL does not cure the material breach within 30 days of its receipt of written notice from the School, unless the breach cannot be reasonably cured within 30 days, in which case the ESCHOOL shall promptly undertake and continue efforts to cure said material breach within a reasonable time.

Termination by ESCHOOL. ESCHOOL may, at its option, terminate the Agreement upon the occurrence of certain events as defined in the Agreement.

6. DEFINED BENEFIT PENSION PLANS

The School has contracted with ESCHOOL (see Note 5) to provide employee services and to pay those employees. However, these contract services do not relieve the school of the obligation for remitting pension contributions. The retirement systems consider the School as the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to the systems noted below:

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM

Plan Description - ESCHOOL of Ohio, LLC, on behalf of the School, contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute 14 percent of annual covered payroll. 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 by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B and Health Care). For the fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The School contributions to SERS for the year ended June 30, 2011, 2010 and 2009 were \$100,597, \$73,719, and \$73,472 respectively, as all contributions were paid and reported under ESCHOOL.

B. STATE TEACHERS RETIREMENT SYSTEM

Plan Description - ESCHOOL of Ohio, LLC, on behalf of the School, contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is 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. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

6. DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (continued)

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

A DB or Combined Plan member with five or more years credited service that 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, 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 School's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2011, 2010, and 2009, were \$67,047, \$67,295, and \$33,414, respectively; 100% has been contributed for all fiscal years.

The above is the latest information available.

7. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement Systems

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

Medicare Part B

Medicare B plan reimburse Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40; SERS' reimbursement for retirees was \$45.50.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

7. POSTEMPLOYMENT BENEFITS (continued)

A. School Employee Retirement Systems (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal 2011, the actuarial required allocation is .76 percent. The Schools contributions for the years ended June 30, 2011, 2010 and 2009 were \$765, \$560, and \$551, respectively; all contributions were paid and reported under ESCHOOL.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2011, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Schools contributions assigned to health care including surcharge for the years ended June 30, 2011, 2010, and 2009 were \$23,104, \$10,130, and \$19,902, respectively, as all contributions were paid and reported under ESCHOOL.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Audit Resources.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

7. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System

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

Funding Policy – Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Schools' contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$4,789, \$3,785, and \$2,387, respectively as all contributions were paid and reported under ESCHOOL.

The above is the latest information available.

8. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2011, Eschool Consultants, LLC and its affiliates incurred the following expenses on behalf of the School.

Expense	<u>2011</u>
Direct Expenses:	
Salaries & Wages	\$1,496,679
Employees' benefits	426,132
Professional & technical services	44,936
Property services	423,821
Travel	6,487
Communications	47,519
Utilities	41,206
Contracted craft or trade services	20,308
Transportation	125,222
Books, periodicals & films	29,770
Food & related supplies	130,591
Other supplies	47,789
Other direct costs	358,957
Indirect Expenses:	
Overhead	<u>402,345</u>
Total Expenses	<u><u>\$3,601,762</u></u>

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

8. MANAGEMENT COMPANY EXPENSES (continued)

Overhead charges are assigned to the School based on a percentage of revenue. These charges represent the indirect cost of services provided in the operation of the School. Such services include, but are not limited to facilities management, equipment, operational support services, management and management consulting, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support and marketing and communications.

9. CONTINGENCIES

A. GRANTS

Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, in the opinion of the School, any such disallowed claims will not have a material adverse effect on the financial position of the School.

B. FULL TIME EQUIVALENCY

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has been conducted for the 2010-2011 school year. The adjustments for FTE did not have a material effect on the accompanying financial statements presented.

10. FEDERAL TAX STATUS

On November 30, 2006, the School began the process of filing for tax exempt status under section 501(c)(3) of the Internal Revenue Code. In the interim, the School has begun the process to file IRS Form 990, "Return of Organization Exempt from Income Tax".

11. SPONSORSHIP FEES

The School contracts with Buckeye Community Hope Foundation (BCHF) to be its sponsor (beginning April 2005). The current contract expires June 30, 2015.

The contract states "...the annual sponsorship fee to be paid to Buckeye Community Hope Foundation be set at 3% of the State's annual School Foundation support..." The Sponsor is to provide oversight, monitoring, and technical assistance for the School. Amount paid to BCHF for fiscal year 2010 was \$62,373.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

12. FACILITIES

The School entered into a lease agreement with Joy Tainment Asset Management for the housing of the K-8 program. This agreement commenced on April 1, 2010 and was for the period of five years. Under the terms of the lease, the school is responsible for monthly payments of \$7,550 and all utilities (electric, water, and gas) and the landlord is responsible for any property taxes due. The School is also responsible for all improvements necessary for its use. The rent and associated utilities are deducted from management fees paid to eSchool. Total facilities costs for fiscal year 2011 were \$90,603.

13. MANAGEMENT COMPANY CONTRACT TERMINATION

In August of 2011, Eschool Consultants, LLC and the Board mutually agreed to terminate the management agreement effective June 30, 2011. Terms of the agreement were for a \$40,000 termination fee to be paid over 23 months with no interest.

14. DEBT OBLIGATIONS- SHORT-TERM

At June 30, 2011, the following table represents the schools' short-term debt issuances:

	<u>Principal Outstanding</u>				<u>Principal Outstanding</u>
	<u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>		<u>06/30/11</u>
USA Transportation, Inc	\$ -	\$19,784	\$ -		\$19,784

In May 2011, the school entered into an open-end promissory Note with USA Transportation, LLC. Terms of the agreement are for 12 equal monthly installments at zero interest. A discount of 20% on the principal can be applied if the entire principal is paid by November 15th, 2011. Any amounts due at May 15, 2012 will accrue interest at 1.5% until paid.

15. DEBT OBLIGATIONS- LONG-TERM

At June 30, 2011, the following table represents the schools' long-term debt issuances:

	<u>Principal Outstanding</u>			<u>Principal Outstanding</u>	<u>Amounts Due Within</u>
	<u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/11</u>	<u>one year</u>
Eschool Consultants, LLC	\$ -	\$40,000	\$ -	\$ 40,000	\$ 18,337

Per the terms of the termination agreement with Eschool Consultants LLC (see note 12), the above table represents the current portion due and the total balance due at June 30, 2011.

16. SUBSEQUENT EVENTS

Since the termination of the management company, the Board has taken responsibility for day-to-day operations. They have hired a Superintendent to act as the operator and all staff are now direct hires of the school.

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2011
(Continued)**

17. GOING CONCERN

In October of 2011, the school's 5 year forecast shows a negative cash balance at the end of fiscal year 2012. This is due to the significant enrollment decline related to termination with the management company. The school was over funded for the first quarter of the fiscal year by approximately 150 students. The repayment of the advance will occur during the fiscal year. Also, costs in the current budget for personnel, facilities, transportation and other purchased services raise questions about the schools ability to continue past the current fiscal year. There are no current plans on the part of management to reduce expenses.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 18, 2011

To the Board of Directors
Focus Learning Academy of Northern Columbus
4807 Evanswood Drive
Columbus, OH 43229

**INDEPENDENT AUDITOR'S 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***

We have audited the financial statements of the Focus Learning Academy of Northern Columbus (the School) as of and for the year ended June 30, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 18, 2011, wherein we noted the School has incurred an operating loss subsequent to year end which raises substantial doubt about the School's ability to continue as a going concern. 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

Management of Focus Learning Academy of Northern Columbus is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit 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 School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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 we must report under *Government Auditing Standards*.

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

Hea & Associates, Inc.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

November 18, 2011

To the Board of Directors
Focus Learning Academy of Northern Columbus
4807 Evanswood Drive
Columbus, OH 43229

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

Compliance

We have audited the compliance of the Focus Learning Academy of Northern Columbus with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Focus Learning Academy of Northern Columbus' major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Focus Learning Academy of Northern Columbus' management. Our responsibility is to express an opinion on Focus Learning Academy of Northern Columbus' compliance based on our audit.

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

In our opinion, Focus Learning Academy of Northern Columbus complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

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

We noted certain immaterial instances of internal control over compliance that we have reported to management of Focus Learning Academy of Northern Columbus in a separate letter dated November 18, 2011.

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

Hea & Associates, Inc.

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Cash Receipts	Cash Disbursements
U. S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
<i>Title I Cluster:</i>				
Title I - 2011	84.010	2011	\$ 180,812	\$ 239,245
Title I - 2010	84.010	2010	174,375	118,884
ARRA - Title I	84.389	2010	49,054	36,020
ARRA - Title I	84.389	2011	32,149	35,361
Title I - School Improvement	84.010	2010	10,950	10,950
Title I - School Improvement	84.010	2011	68,279	74,610
Total Title I Cluster			515,619	515,070
Title II-A - Improving Teacher Quality - 2011	84.367	2011	11,886	11,886
Title II-A - Improving Teacher Quality - 2010	84.367	2010	3,013	3,013
Total Title II-A - Improving Teacher Quality			14,899	14,899
<i>IDEA PART B Cluster:</i>				
IDEA Part B - 2011	84.027	2011	59,624	52,050
IDEA Part B - 2010	84.027	2010	1,074	1,074
ARRA - IDEA Part B - 2010	84.391	2010	16,012	8,577
Total IDEA Part B Cluster			76,710	61,701
Safe and Drug-Free Schools - 2011	84.186	2011	952	0
Total Safe and Drug-Free Schools			952	0
Twenty-First Century Community Learning Centers	84.287	2011	169,984	192,491
Twenty-First Century Community Learning Centers	84.287	2010	30,921	30,921
Total Twenty-First Century Community Learning Centers			200,905	223,412
Title III LEP	84.365	2011	17,578	28,709
Title III LEP	84.365	2010	16,964	16,964
Total Title III LEP			34,542	45,673
Education Technology State Grant	84.318	2011	1,097	1,176
Education Technology State Grant	84.318	2010	630	630
Total Education Technology State Grants Cluster			1,727	1,806
Education Jobs Fund	84.410	2011	2,578	2,578
Total Education Jobs Fund			2,578	2,578
ARRA - State Fiscal Stabilization Fund	84.394	2011	180,645	170,017
Total State Fiscal Stabilization Fund			180,645	170,017
ARRA - State Fiscal Stabilization Fund - Race-to-the-Top Incentives	84.395	2011	0	30,758
Total State Fiscal Stabilization Fund - Race-to-the-Top Incentives			0	30,758
<i>Total U.S. Department of Education</i>			1,028,577	1,065,914
U. S. Department of Agriculture				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program (A)	10.553	2011	51,024	51,024
Total School Breakfast Program			51,024	51,024
National School Lunch Program (A)	10.555	2011	114,720	114,720
Total National School Lunch Program			114,720	114,720
Total Child Nutrition Cluster			165,744	165,744
<i>Total U.S. Department of Agriculture</i>			165,744	165,744
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,194,321	\$ 1,231,658

See accompanying Notes to the Schedule of Expenditures of Federal Awards - Cash Basis

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011

- (A) Federal money is commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.
- (B) The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with ODE's approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the Ohio Department of Education (ODE) authorized the following transfers:

<u>CFDA Number / Grant Title</u>	<u>Grant Year</u>	<u>Transfer In</u>	<u>Transfer Out</u>
84.010 Title I	2011	\$ 16,695	
84.010 Title I	2010		\$ 16,695
84.367 Title II-A: Improving Teacher Quality	2011	2,283	
84.367 Title II-A: Improving Teacher Quality	2010		2,283
84.318 Title II-D: Technology Literacy Challenge Func	2011	986	
84.318 Title II-D: Technology Literacy Challenge Func	2010		986
84.365 Title III: LEP	2011	6,775	
84.365 Title III: LEP	2010		6,775
84.186 Title IV: Safe and Drug-Free Schools	2011	19	
84.186 Title IV: Safe and Drug-Free Schools	2010		19
84.391 ARRA IDEA Part B	2011	2,229	
84.391 ARRA IDEA Part B	2010		2,229
		<u>\$ 28,987</u>	<u>\$ 28,987</u>

**FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Title I Cluster CFDA #84.010 and #84.389 ARRA- State Fiscal Stabilization Fund CFDA #84.394
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

No Findings noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

No Findings noted.



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors
Focus Learning Academy of Northern Columbus
4807 Evanswood Drive
Columbus, OH 43229

November 18, 2011

To the Board of Directors:

Ohio Rev. 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 procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Focus Learning Academy of Northern Columbus (the School) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying. Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

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 Sponsor, and is not intended to be and should not be used by anyone other than these specified parties.

Rea & Associates, Inc.

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Dave Yost • Auditor of State

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2012**