

Focus Learning Academy of
Northern Columbus
Franklin County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2013



Dave Yost • Auditor of State

Board of Directors
Focus Learning Academy of Northern Columbus
4795 Evanswood Drive
Columbus, OH 43229

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, 2012 through June 30, 2013. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 3, 2014

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

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January 23, 2014

To the Board of Directors
Focus Learning Academy of Northern Columbus
Franklin County, Ohio
4795 Evanswood Drive
Columbus, OH 43229

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Focus Learning Academy of Northern Columbus, Franklin County, Ohio (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the School, as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 3.B to the financial statements, the School incorrectly believed they had been forgiven on a termination agreement and as a result restated their June 30, 2012 net position of business-type activities for the increase in threshold. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Hea & Associates, Inc.

Medina, Ohio

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The management's discussion and analysis of the financial performance of the Focus Learning Academy of Northern Columbus (the "School") provides an overall review of the School's financial activities for the fiscal year ending June 30, 2013. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2013 are as follows:

- In total, the School's net position decreased \$196,915 from net position at June 30, 2012, as restated (see Note 3.B).
- The School had total revenues of \$1,950,522, including operating revenues of \$1,427,400 and non-operating revenues of \$523,122, which supported operating expenses of \$2,147,437 during fiscal year 2013.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the School's financial activities. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the School, including all short-term and long-term financial resources and obligations. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its operations.

Reporting the School's Financial Activities

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

These statements consider all financial transactions and address the question, "How did the School perform financially during 2013?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers 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 position and changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, 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. These statements can be found on pages 7 and 8 of this report. The statement of cash flows can be found on page 9.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11 through 22 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The table below provides a summary of the School's net position at June 30, 2013 and June 30, 2012. Net position and long-term liabilities at June 30, 2012 have been restated to include \$36,674 due to eSchool Consultants, LLC, as discussed in Note 3.B.

	Net Position	
	2013	Restated 2012
<u>Assets</u>		
Current assets	\$ 127,621	\$ 272,127
Capital assets, net	17,037	-
Total assets	144,658	272,127
<u>Liabilities</u>		
Current liabilities	208,968	109,522
Non-current liabilities	6,674	36,674
Total liabilities	215,642	146,196
<u>Net Position</u>		
Investment in capital assets	17,037	-
Unrestricted (deficit)	(88,021)	125,931
Total net position (deficit)	\$ (70,984)	\$ 125,931

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the School's liabilities exceeded assets by \$70,984, a decrease of \$196,915 from balances at June 30, 2012.

Assets

Current assets decreased by \$144,506 from 2012; changes in current assets were primarily due to a decrease in intergovernmental receivable balances resulting from grants due to the School exceeding a net increase in cash balances during the year as is detailed on the statement of cash flows on page 9. Additionally, the School had no accounts receivable at June 30, 2013.

At year-end, capital assets, net of accumulated depreciation, represented 11.78 percent of total assets. Capital assets at June 30, 2013 consisted of equipment. Capital assets are used to provide services to students and are not available for future spending.

Liabilities

Current liabilities increased \$99,446 from June 30, 2012. The net increase in current liabilities resulted from higher accrued wages and benefits, amounts due to fund employee pensions, and accounts payable balances in addition to the current portion of termination fees outstanding at June 30, 2013.

The School reported long-term liabilities at June 30, 2013 in the amount of \$6,674 for a termination agreement with eSchool Consultants, LLC resulting from the termination of the School's management agreement effective June 30, 2011.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The table below shows the changes in net position for the fiscal year 2013 and fiscal year 2012. Net position at the beginning of the year has been restated to include the effects of long-term obligations amounting to \$36,674 not previously reported at June 30, 2012 (see Note 3.B for detail).

	Change in Net Position	
	2013	Restated 2012
<u>Operating Revenues:</u>		
State foundation	\$ 1,427,400	\$ 1,436,150
<u>Operating Expenses:</u>		
Salaries and wages	924,829	819,985
Fringe benefits	238,021	184,912
Purchased services	896,530	841,126
Materials and supplies	62,160	127,556
Other operating expenses	24,348	21,051
Depreciation	1,549	-
Total operating expenses	2,147,437	1,994,630
Operating loss	(720,037)	(558,480)
<u>Non-operating revenues:</u>		
Federal and state grants and entitlements	522,063	753,414
Other non-operating revenues	1,059	7,135
Interest income	-	191
Total non-operating revenues	523,122	760,740
Change in net position	(196,915)	202,260
Net position (deficit) at beginning of year (restated)	125,931	(76,329)
Net position (deficit) at end of year	\$ (70,984)	\$ 125,931

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. Aid through the state foundation decreased 0.61% from fiscal year 2013, while federal and state grants and entitlements decreased 30.71%. Expenses related to employee salaries, employee benefits, and purchased services increased from the prior year, while expenses for materials and supplies fell 51.27%.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Capital Assets

At June 30, 2013, the School had \$17,037, net of accumulated depreciation, invested in capital assets. During fiscal year 2013, the School acquired equipment at a cost of \$18,586 and recognized \$1,549 in depreciation expense. Refer to Note 10 in the notes to the basic financial statements for more detail on the School's capital assets.

**Capital Assets at June 30
(Net of Depreciation)**

	<u>2013</u>	<u>2012</u>
Equipment	<u>\$ 17,037</u>	<u>\$ -</u>

Debt Administration

Effective June 30, 2011, the School ended its management agreement with eSchool Consultants, LLC. As part of the termination of this agreement, the School agreed to pay termination fees totaling \$40,008 to eSchool Consultants, LLC. Of this balance \$30,674 is outstanding at June 30, 2013 and \$24,000 is due within one year. See Note 9 to the basic financial statements for detail on long-term obligations.

Current Financial Related Activities

The School operates by hiring employees directly and offering education to students in kindergarten through grade 8. The School's sponsor, the North Central Ohio Educational Service Center, receives a fee equal to three percent of aid received through the state foundation. The financial outlook over the next several years is closely related to the School's enrollment and economic conditions in central Ohio.

Contacting the School's Financial Management

This financial report is designed to provide our citizen and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Cherie Cox, Treasurer for the Focus Learning Academy of Northern Columbus, 4795 Evanswood Dr., Columbus, OH 43229.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

Assets:	
Current assets:	
Cash and cash equivalents	\$ 89,254
Intergovernmental receivable	38,367
Total current assets	127,621
Non-current assets:	
Depreciable capital assets, net	17,037
Total assets	144,658
Liabilities:	
Current liabilities:	
Accounts payable	28,140
Accrued wages and benefits	125,671
Pension obligation payable	21,602
Intergovernmental payable	9,555
Long-term liabilities, due within one year	24,000
Total current liabilities	208,968
Non-current liabilities:	
Long-term liabilities, due in more than one year	6,674
Total liabilities	215,642
Net position:	
Investment in capital assets	17,037
Unrestricted (deficit)	(88,021)
Total net position (deficit)	\$ (70,984)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Operating revenues:	
Foundation revenue	\$ 1,427,400
Operating expenses:	
Salaries and wages	924,829
Fringe benefits	238,021
Purchased services	896,530
Materials and supplies	62,160
Other operating expense	24,348
Depreciation.	1,549
Total operating expenses	<u>2,147,437</u>
Operating loss	(720,037)
Non-operating revenues:	
Federal and state grants and entitlements	522,063
Other non-operating revenues	1,059
Total nonoperating revenues.	<u>523,122</u>
Change in net position	(196,915)
Net position at beginning of year (restated)	<u>125,931</u>
Net position (deficit) at end of year.	<u><u>\$ (70,984)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:	
Cash received:	
State foundation	\$ 1,427,400
Cash payments:	
Salaries and wages	(875,355)
Fringe benefits	(233,560)
Purchased services	(871,656)
Materials and supplies	(62,646)
Other expenses	(29,200)
	<hr/>
Net cash used in operating activities	(645,017)
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Cash flows from noncapital financing activities:	
Cash received from federal and state grants and entitlements	740,306
Cash received from other non-operating revenues	1,059
Principal payments on termination agreement	(6,000)
	<hr/>
Net cash provided by noncapital financing activities	735,365
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Cash flows from capital and related financing activities:	
Acquisition of capital assets	(18,586)
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Net cash used in capital and related financing activities.	(18,586)
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Net increase in cash and cash equivalents	71,762
Cash and cash equivalents at beginning of year.	17,492
Cash and cash equivalents at end of year	\$ 89,254
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Reconciliation of operating loss to net cash used in operating activities:	
Operating loss.	\$ (720,037)
Adjustments:	
Depreciation.	1,549
Changes in assets and liabilities:	
Decrease in accounts receivable.	14,533
Increase in intergovernmental receivable	(16,508)
Increase in accounts payable.	16,276
Increase in accrued wages and benefits	44,926
Decrease in intergovernmental payable	(7,358)
Increase in pension obligation payable.	21,602
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Net cash used in operating activities.	\$ (645,017)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL

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 was approved for operation under contract with the Ohio State Board of Education for a period of five years from May 16, 2000 through June 30, 2005. The Buckeye Community Hope Foundation sponsored the School from June 2005 through June 2012. The North Central Ohio Educational Service Center became the sponsor effective July 1, 2012 through June 30, 2015. The School operates under a self-appointing five member Board of Directors (“the Board”). The School’s Code of Regulations specifies 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. The facility is staffed with teaching personnel who provide services to approximately 231 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, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 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 more significant of the School's accounting policies are described below.

A. Basis of Presentation

The School's basic financial statements consists of a statement of net position, a statement of revenues, expenses and changes in net position and a statement of cash flows.

The School uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise accounting focuses on the determination of operating income, changes in net 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 deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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 demand deposit accounts. The School did not have any investments during fiscal year 2013.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

E. Capital Assets and Depreciation

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of \$5,000. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Life</u>
Equipment	10 years

F. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid Program, and the Career Based Intervention Program, which are reflected under "state foundation" on the statement of revenues, expenses and changes in net position. 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 2013 school year totaled \$1,949,463.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

H. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

I. Use of Estimates

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

For fiscal year 2013, the School has implemented GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”, GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”, GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements”, GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities”, and GASB Statement No. 66, “Technical Corrections - 2012.”

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 Financial Accounting Standards Board and American Institute of Certified Public Accountants pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the School's financial statements and summary of significant accounting policies to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as limiting the use of the term *deferred* in financial statement presentations.

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School.

B. Prior Period Adjustment

During fiscal year 2012, the School's obligation for fees resulting from a termination agreement with eSchool Consultants, LLC was incorrectly believed to have been forgiven and accordingly was removed from the School's long-term liabilities for the fiscal year ended June 30, 2012. During fiscal year 2013, the School learned the obligation had not been forgiven and renegotiated the terms of repayment. Net position at July 1, 2012 has been restated to reflect the inclusion of long-term liabilities amounting to \$36,674, as follows:

Net assets at June 30, 2012, as previously reported	\$ 162,605
Termination fees outstanding at June 30, 2012	(36,674)
Net position at July 1, 2012, restated	<u>\$ 125,931</u>

NOTE 4 - DEPOSITS

The School maintains deposits at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2013, the carrying amount of all School deposits was \$89,254. Based on the criteria described in GASB Statement No. 40, "*Deposits and Investment Risk Disclosures*", as of June 30, 2013, the School's entire bank balance of \$106,145 covered by the FDIC.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - DEPOSITS - (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. At June 30, 2013, none of the School's bank balance was exposed to custodial credit risk.

NOTE 5 - 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. Settled claims have not exceeded this coverage in any of the past three years, nor has there been a significant reduction in insurance coverage from the prior year. Below are the various coverages for the School:

Commercial general liability:	
Per occurrence	\$1,000,000
Aggregate	2,000,000
Umbrella liability:	
Per occurrence	6,000,000
Aggregate	6,000,000
Automobile liability, combined single limit	1,000,000
Commercial property liability, personal property (\$1,000 deductible)	1,000,000
Excess volunteer liability:	
Per occurrence	1,000,000
Aggregate	3,000,000

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

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

NOTE 6 - RECEIVABLES

At June 30, 2013, the School had intergovernmental receivables in the amount of \$38,367. Intergovernmental receivables consist of refunds and federal assistance for which eligibility requirements have been met by June 30, 2013 and cash was not received by year end.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7 - PAYABLES

Intergovernmental payables of \$9,555 consist of payroll liabilities due and unpaid to various taxing authorities at fiscal year-end and amounts due to other governments for services provided to the School. Accounts payable consists of obligations totaling \$28,140 at June 30, 2013, incurred during the normal course of conducting operations. Amounts due to be paid to the School Employees Retirement System and State Teachers Retirement System of Ohio are classified as “pension obligation payable” and amounted to \$21,602 as of June 30, 2013.

NOTE 8 - ACCRUED WAGES AND BENEFITS

Accrued wages and benefits were \$125,671 at June 30, 2013 which represents wages and employee benefits earned and not paid at June 30, 2013 for school employees who earned wages prior to fiscal year-end and certain School teachers paid over a 12 month period.

NOTE 9 - LONG-TERM OBLIGATIONS

The following is a summary of long-term liabilities for fiscal year 2013:

	Restated Balance 6/30/12	Increases	Decreases	Balance 6/30/13	Amount Due in One Year
Termination agreement	\$ 36,674	\$ -	\$ (6,000)	\$ 30,674	\$ 24,000

Long-term liabilities in the schedule above and net position at July 1, 2013 were restated as described in Note 3.B.

The Board and eSchool Consultants, LLC (“eSchool”) mutually agreed to terminate a contract for management services effective June 30, 2011. As part of the settlement of the agreement, the School agreed to pay termination fees of \$40,008 to eSchool through monthly payments of \$1,667 with no interest. The School and eSchool subsequently renegotiated the agreement. The terms of the renegotiated payment schedule include interest-free monthly payments of \$2,000, due by the 10th of each month, beginning April 2013.

Outstanding termination fees amounted to \$30,674 at June 30, 2013 and have been reported as long-term liabilities on the statement of net position. Payments through the agreement are payable through October 10, 2014 according to the following schedule:

Fiscal Year Ending	Termination Agreement		
June 30,	Principal	Interest	Total
2014	\$ 24,000	\$ -	\$ 24,000
2015	6,674	-	6,674
Total	\$ 30,674	\$ -	\$ 30,674

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance 6/30/12	Additions	Deductions	Balance 06/30/13
Capital assets, being depreciated:				
Equipment	\$ -	\$ 18,586	\$ -	\$ 18,586
Total capital assets being depreciated	<u>-</u>	<u>18,586</u>	<u>-</u>	<u>18,586</u>
Less: accumulated depreciation				
Equipment	-	(1,549)	-	(1,549)
Total accumulated depreciation	<u>-</u>	<u>(1,549)</u>	<u>-</u>	<u>(1,549)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 17,037</u>	<u>\$ -</u>	<u>\$ 17,037</u>

NOTE 11 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$32,097, \$36,587, and \$100,597, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

B. State Teachers Retirement System of Ohio

Plan Description - The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 11 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2013, 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. 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 contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$85,133, \$59,159, and \$67,047, respectively; 96.06 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$10,595 made by the School and \$7,568 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Directors have elected Social Security. The School's liability is 6.2 percent of wages paid.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit 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 B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$5,005, \$20,192, and \$23,104, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$1,813, \$765, and \$560, respectively; 100 percent has been contributed for fiscal years 2013, 2012, and 2011.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$6,549, \$4,551, and \$4,789, respectively; 96.06 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

NOTE 13 - CONTINGENCIES

A. Grants

The School receives significant financial assistance from numerous federal, state and local 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School.

B. State Foundation Funding

The Ohio Department of Education conducts reviews on enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the state, upon which state foundation funding is calculated. The School does not anticipate any significant adjustments to state funding for the fiscal year ended June 30, 2013, as a result of the reviews which have yet to be completed.

C. Litigation

The School is involved in no material litigation as either plaintiff or defendant.

NOTE 14 - TAX EXEMPT STATUS

The School has been approved under §501(c)(3) of the Internal Revenue Code as a tax exempt organization. Management is not aware of any course of action or series of events that might adversely affect the School's tax exempt status.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 15 - SPONSORSHIP FEES

The School contracts with the North Central Ohio Educational Service Center (“NCOESC”) for sponsorship beginning July 1, 2012. The current contract expires on June 30, 2015. NCOESC is to provide oversight, monitoring, and technical assistance for the School. The sponsorship fee is calculated as three percent of annual school foundation revenue and amounted to \$43,136 paid to NCOESC during fiscal year 2013.

NOTE 16 - PURCHASED SERVICES

For the period July 1, 2012 through June 30, 2013, purchased service expenses were for the following services:

Professional and technical services	\$ 172,242
Property services	273,500
Travel and meetings	84
Communications	12,073
Utilities	70,509
Contracted trade	149,548
Transportation	<u>218,574</u>
Total	<u>\$ 896,530</u>

January 23, 2014

To the Board of Directors
Focus Learning Academy of Northern Columbus
Franklin County, Ohio
4795 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, in accordance with the 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, the financial statements of the business-type activities of the Focus Learning Academy of Northern Columbus, Franklin County, Ohio (the "School") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 23, 2014, wherein we noted the School incorrectly believed to have been forgiven from a termination agreement and restated their June 30, 2012 net position for their business-type activities.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hea & Associates, Inc.

Medina, Ohio

January 23, 2014

Board of Directors
Focus Learning Academy of Northern Columbus
Franklin County, Ohio
4795 Evanswood Drive
Columbus, OH 43229

Independent Accountant's Report on Applying Agreed-Upon Procedures

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, Franklin County, Ohio (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 amended its anti-harassment policy at its meeting on September 28, 2010 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act."

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

Rea & Associates, Inc.

Medina, Ohio



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
MARCH 18, 2014**