

Focus Learning Academy of  
Southwestern 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 Southwestern Columbus  
190 Southwood Avenue  
Columbus, OH 43207

We have reviewed the *Independent Auditor's Report* of the Focus Learning Academy of Southwestern 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 Southwestern 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 4, 2014

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

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December 31, 2013

To the Board of Directors  
Focus Learning Academy of Southwestern Columbus  
Franklin County, Ohio  
190 Southwood Avenue  
Columbus, OH 43207

## **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 Southwestern 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.

***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 December 31, 2013 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.

*Rea & Associates, Inc.*

Medina, Ohio



**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

The discussion and analysis of Focus Learning Academy of Southwestern Columbus' (the School) financial performance provides an overall review of the financial activities for the fiscal year ended 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 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**

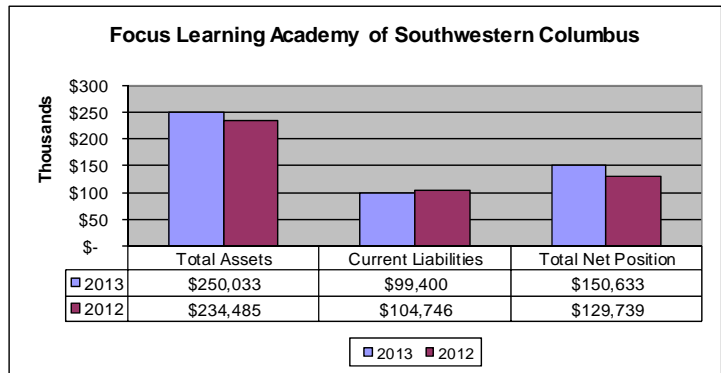
Key financial highlights for fiscal year 2013 are as follows:

- Total Net Position increased \$20,894 in fiscal year 2013.
- State aid decreased from \$2,007,789 in fiscal year 2012 to \$1,743,481 in fiscal year 2013 due to a decrease in enrollment.
- Similarly, total expenses decreased from \$2,390,508 in fiscal year 2012 to \$2,048,081 in fiscal year 2013.
- Current liabilities decreased \$5,346 with current assets increasing \$15,548 in fiscal year 2013.
- The School has no long term debt outstanding as of June 30, 2013.

**Using this Financial Report**

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position reflect how the School did financially during fiscal year 2013. 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 includes all of the current year revenues and expenses regardless of when cash is received or paid.



These statements report the School's Net Position and changes in net position. This change in Net Position 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 SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

Table 1 provides a summary of the School's Net Position for 2013 compared to the prior year.

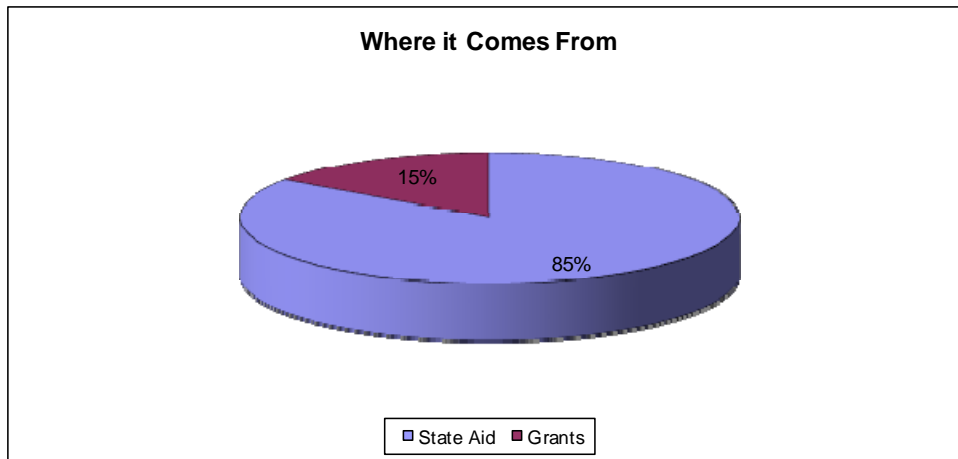
(Table 1)  
**Statement of Net Position**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current Assets	\$250,033	\$234,485
<b>Liabilities</b>		
Current Liabilities	99,400	104,746
<b>Net Position</b>		
Unrestricted	\$150,633	\$129,739

Cash and other current assets increased 6.6 percent (from \$234,485 in 2012 to \$250,033 in 2013). This is due to increased cash as of June 30, 2013.

Current Liabilities decreased 5.1 percent (from \$104,746 in 2012 to \$99,400 in 2013). This is a result of payments owed and paid to eSchool Consultants, LLC related to the management agreement for state and federal grants receivable and payments due to the State for intergovernmental payables.

Total Net Position increased 16.1 percent (from \$129,739 in 2012 to \$150,633 in 2013). This increase is due to keeping costs reduced relative to revenue.



**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

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

(Table 2)  
**Change in Net Position**

	2013	2012
<b><u>OPERATING REVENUES</u></b>		
State Aid	\$ 1,743,481	\$ 2,007,789
Casino Aid	5,126	-
<b><u>NON-OPERATING REVENUES</u></b>		
Grants	316,443	401,045
Miscellaneous	3,834	-
Investment Income	91	91
Total Revenues	2,068,975	2,408,925
<b><u>OPERATING EXPENSES</u></b>		
Purchased Services: Management Fees	1,620,167	1,867,281
Purchased Services: Grant Programs	316,443	332,253
Instructional Services	-	68,792
Sponsor Fees	52,832	59,529
Board Meeting Expense	18,976	15,704
Auditing and Accounting	28,355	33,144
Advertising	1,045	1,575
Liability Insurance	-	4,499
Other Services	10,263	7,731
Total Expenses	2,048,081	2,390,508
Change in Net Position	\$ 20,894	\$ 18,417

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 85% of revenues for the School in fiscal year 2013. Grant revenue decreased from \$401,045 in fiscal year 2012 to \$316,443 in fiscal year 2013 due primarily to the discontinuation of federal stimulus dollars. Full-time equivalent enrollment decreased from 289 students to 248 students for fiscal years 2012 and 2013.

***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 SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013  
(Continued)**

**Capital Assets**

At the end of fiscal year 2013, the School had no capital assets. Per the management agreement, all capital assets are owned by eSchool Consultants, LLC.

**Debt**

At June 30, 2013, the School had no long term debt.

**Current Financial Related Activities**

The School is in its fourth year with eSchool Consultants, LLC as its management company. Future fees to be paid to eSchool Consultants will be at 93% of state aid. 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. The financial outlook over the next several years shows continued growth in enrollment. But, future revenue increases are cautious due to Ohio's weak economic recovery.

**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 Southwestern Columbus, 65 E. Wilson Bridge Rd Suite 200, Worthington, OH 43085 or e-mail at [badams@ocscltd.com](mailto:badams@ocscltd.com).

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

**ASSETS**

Current Assets

Cash and Cash Equivalents	\$ 155,473
Intergovernmental Receivable	<u>94,560</u>
Total Current Assets	<u>250,033</u>

<b>Total Assets</b>	<u>250,033</u>
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**LIABILITIES**

Current Liabilities

Accounts Payable	<u>99,400</u>
Total Current Liabilities	<u>99,400</u>

<b>Total Liabilities</b>	<u>99,400</u>
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**NET POSITION**

Unrestricted	<u>150,633</u>
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<b>Total Net Position</b>	<u>\$ 150,633</u>
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See accompanying notes to the basic financial statements

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

<b>Operating Revenues</b>	
State Aid	\$1,743,481
Casino Aid	<u>5,126</u>
Total Operating Revenues	<u>1,748,607</u>
<b>Operating Expenses</b>	
Purchased Services: Management Fees	1,620,167
Purchased Services: Grant Programs	316,443
Sponsor Fees	52,832
Board of Education Expenses	18,976
Auditing and Accounting	28,355
Advertising	1,045
Other Services	<u>10,263</u>
<b>Total Operating Expenses</b>	<u>2,048,081</u>
Operating Loss	(299,474)
<b>Non-Operating Revenues</b>	
Grants	316,443
Miscellaneous	3,834
Interest Income	<u>91</u>
<b>Total Non-Operating Revenues</b>	<u>320,368</u>
<b>Change in Net Position</b>	20,894
<b>Net Position Beginning of Year</b>	<u>129,739</u>
<b>Net Position End of Year</b>	<u><u>\$ 150,633</u></u>

See accompanying notes to the basic financial statements

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

**Cash Flows from Operating Activities**

Cash Received from State	\$ 1,748,607
Cash Payments for Goods and Services	<u>(2,052,797)</u>
Net Cash Used in Operating Activities	<u>(304,190)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Grants Received	340,100
Other Cash Received	<u>3,834</u>
Net Cash Provided by Noncapital Financing Activities	<u>343,934</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Cash Received from Interest on Investments	<u>91</u>
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**NET INCREASE IN CASH AND CASH EQUIVALENTS** 39,835

**CASH AND CASH EQUIVALENTS BEGINNING OF YEAR** 115,638

**CASH AND CASH EQUIVALENTS END OF YEAR** \$ 155,473

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED IN OPERATING ACTIVITIES**

Operating Loss \$ (299,474)

**ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET  
CASH USED FOR OPERATING ACTIVITIES**

Changes in Assets and Liabilities:	
Accounts Receivable	630
Accounts Payable	<u>(5,346)</u>

Net Cash Used in Operating Activities \$ (304,190)

See accompanying notes to the basic financial statements

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**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

Focus Learning Academy of Southwestern Columbus (formerly Life Skills Center of Southwestern 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 seven-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 248 students. Members of the Board are also members of the Board of the Focus Learning Academy of Southeastern Columbus.

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 Southwestern 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 Southwestern 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 Southwestern Columbus from Life Skills Center of Southwestern Columbus as a result of the change in management company which owns the "Life Skills" trade name.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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 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 Position, a Statement of Revenues, Expenses, and Changes in Net Position, 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 Position, 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 Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in net 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 a demand deposit account. The School did not have any investments during fiscal year 2013.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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 Position, along with Casino revenue from the state. 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 \$2,065,050.

**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 POSITION**

Net Position represent the difference between assets and liabilities. Net Position is 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 Position is 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 SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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, 2013, the carrying amount of the School's deposits was \$155,473 and the bank balance was \$184,343. 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. On March 18, 2009, the school amended the agreement and extended the length of the contract. Phase one of the extension is until June 30, 2014. A non renewal clause is available to either party on or about January 1, 2014. In the event, neither party exercises this clause, the agreement will automatically renew for 2 additional 5-year periods, ending on June 30, 2024. 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, 2013 to ESCHOOL of \$1,936,610. 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 SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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. 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 plans. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employer/ Audit Resources.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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, 2013, the allocation to pension and death benefits is 12.70 percent. The remaining 1.30 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 years ended June 30, 2013, 2012, and 2011 were \$54,440, \$57,349 and \$61,843, respectively, of which 100 percent has been contributed for all years.

**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](http://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 31<sup>st</sup> 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 SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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, 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. For fiscal year 2011, 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, 2013, 2012, and 2011 were \$58,998, \$47,849 and \$48,823, respectively; 100% has been contributed for all fiscal years.

**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 2012 was \$99.90; SERS' reimbursement for retirees was \$45.50.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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 2012, the actuarial required allocation is .75 percent. The Schools contributions for the years ended June 30, 2013, 2012 and 2011 were \$431, \$482 and \$557, 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, 2013, the health care allocation is .55%. 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 ended June 30, 2013, 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, 2013, 2012 and 2011 were \$11,799, \$13,029 and \$16,919, 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](http://www.ohsers.org) under Employers/Audit Resources.



**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(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](http://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, 2013, 2012, and 2011. The 14% employer contribution rate is the maximum rate established under Ohio law. For 2013, 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, 2013, 2012, and 2011 were \$4,214, \$3,418 and \$3,487, respectively as all contributions were paid and reported under ESCHOOL (the latest information available).

**8. MANAGEMENT COMPANY EXPENSES**

For the year ended June 30, 2013, eSchool Consultants, LLC and its affiliates incurred the following expenses on behalf of the School.

	<b>2013</b>
<b>Expenses</b>	
<b>Direct Expenses:</b>	
Salaries & wages	\$ 966,750
Employees' benefits	287,011
Professional & technical services	1,801
Property services	83,534
Travel	5,152
Communications	39,612
Utilities	1,532
Contracted craft or trade services	3,731
Transportation	21,055
Books, periodicals, & films	17,706
Food and Related Supplies	19,978
Other supplies	5,044
Other direct costs	56,301
<b>Indirect Expenses:</b>	
Overhead	298,322
<b>Total Expenses</b>	<b>\$1,807,529</b>

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.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013  
(Continued)**

**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 and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2013 have not been calculated as of the audit date and will be included in the financial activity for fiscal year 2014.

**10. FEDERAL TAX STATUS**

The School was approved under § 501(c)(3) of the Internal Revenue Code as a tax exempt organization.

**11. SPONSORSHIP FEES**

The School contracts with Buckeye Community Hope Foundation (BCHF) to be its sponsor (beginning April 2005). 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 2013 was \$52,832.

**12. CHANGE IN ACCOUNTING PRINCIPLES**

For 2013, the school has implemented GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". 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 or 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 to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

December 31, 2013

To the Board of Directors  
Focus Learning Academy of Southwestern Columbus  
Franklin County, Ohio  
190 Southwood Avenue  
Columbus, OH 43207

**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 Southwestern 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 December 31, 2013.

**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

December 31, 2013

Board of Directors  
Focus Learning Academy of Southwestern Columbus  
Franklin County, Ohio  
190 Southwood Avenue  
Columbus, OH 43207

### **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 Southwestern 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 adopted its anti-harassment policy at its meeting on October 17, 2012 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

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# Dave Yost • Auditor of State

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN 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**