

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
FOR THE YEAR ENDED JUNE 30, 2009**



Mary Taylor, CPA

Auditor of State

Board of Directors
Focus Learning Academy of Southwestern Columbus
7215 Sawmill Rd.
Dublin, Ohio 43016

We have reviewed the *Independent Accountants' Report* of the Focus Learning Academy of Southwestern Columbus, Franklin County, prepared by Hemphill & Associates, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 10, 2010

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

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INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors of
Focus Learning Academy of Southwestern Columbus
Columbus, Ohio

We have audited the accompanying financial statements of the Focus Learning Academy of Southwestern Columbus (the Academy) as of and for the year ended June 30, 2009 as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audits. You should read it in conjunction with this report in assessing the results of our audit.



**INDEPENDENT ACCOUNTANTS' REPORT
(CONTINUED)**

The Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Columbus, Ohio
December 23, 2009

Hemphill & Associates



**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The discussion and analysis of Focus Learning Academy of Southwestern Columbus (the Academy) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements, and the notes to the basic financial statements to enhance their understanding of the Academy'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 2009 are as follows:

- Total net assets increased \$15,497 in fiscal year 2009.
- Due to an increase in enrollment, State Foundation revenue increased from \$1,456,160 in fiscal year 2008 to \$1,619,225 in fiscal year 2009.
- Grant revenue increased from \$130,158 in fiscal year 2008 to \$232,976 in fiscal year 2009.
- Similarly, total expenses increased from \$1,572,284 in fiscal 2008 to \$1,836,704 in fiscal year 2009.
- Current liabilities decreased \$69,749 with current assets decreasing \$54,252 in fiscal year 2009.
- The Academy has no long-term debt outstanding as of June 30, 2009.

Using this Financial Report

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

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* reflect how the Academy did financially during fiscal year 2009. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether the *financial position* of the Academy 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 Academy's student enrollment, per-pupil funding as determined by the State of Ohio, change in technology, required educational programs, and other factors.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The Academy uses enterprise presentation for all of its activities.

Table 1 provides a summary of the Academy's net assets for 2009 compared to the prior year.

(Table 1)
Statement of Net Assets

	2009	2008
Assets		
Current Assets	\$88,563	\$142,815
Liabilities		
Current Liabilities	\$54,439	\$124,188
Net Assets		
Unrestricted	34,124	18,627
Total Net Assets	\$ 34,124	\$ 18,627

Cash and other current assets decreased 38% (from \$142,815 in 2008 to \$88,563 in 2009). This is due to decreased intergovernmental receivables from the State Foundation and federal and state grants as of June 30, 2009.

Current Liabilities decreased 56.2%. Accounts payable decreased from \$124,188 in 2008 to \$54,439 in 2009 as a result of a decrease in payments owed and paid to Eschool Consultants, LLC related to the management agreement for state and federal grants receivable.

Total net assets increased by \$15,497. This increase is due to increased enrollment for fiscal year 2009.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

(Table 2)
Change in Net Assets

	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUES</u>		
State Foundation	\$ 1,619,225	\$ 1,456,160
<u>NON-OPERATING REVENUES</u>		
Federal and State Grants	232,976	130,158
Total Revenues	<u>1,852,201</u>	<u>1,586,318</u>
<u>OPERATING EXPENSES</u>		
Advertising	1,281	1,245
Auditing and Accounting	28,268	31,077
Board Meeting Expense	10,964	6,864
Liability Insurance	5,299	4,944
Other Services	3,460	82
Purchased Services: Management Fees	1,505,879	1,354,229
Purchased Services: Grant Programs	232,976	130,158
Sponsor Fees	48,577	43,685
Total Expenses	<u>1,836,704</u>	<u>1,572,284</u>
Change in Net Assets	<u>\$ 15,497</u>	<u>\$ 14,034</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the State through the State Foundation and from federal entitlement programs. Foundation payments made up 87% of revenues for the Academy in fiscal year 2009. Grant revenue increased from \$130,158 in fiscal year 2008 to \$232,976 in fiscal year 2009. Full-time equivalent enrollment increased from 209 students in fiscal year 2008 to 242 students in fiscal year 2009. The Academy's net income increase for fiscal year 2009 is primarily due to enrollment increasing by 33 students.

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 Academy and its Sponsor does prescribe a budgetary process. The Academy 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
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the Academy had no capital assets. Per the management agreement, all capital assets are owned by Eschool Consultants, LLC.

Debt

At June 30, 2009, the Academy had no long-term debt.

Current Financial Related Activities

The Academy 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 Foundation revenue. The Academy's Sponsor, Buckeye Community Hope Foundation, receives a fee of 3% of State Foundation revenue. 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 as enrollment is projected to increase.

Contacting Management

This financial report is designed to provide citizens, taxpayers, and creditors with a general overview of the Academy'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, 7215 Sawmill Rd, Suite 050, Dublin, OH 43016 or e-mail at badams@ocscltd.com.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

Operating Revenues	
State Foundation	<u>\$1,619,225</u>
Operating Expenses	
Advertising	1,281
Auditing and Accounting	28,268
Board Meeting Expense	10,964
Liability Insurance	5,299
Other Services	3,460
Purchased Services: Management Fees	1,505,879
Purchased Services: Grant Programs	232,976
Sponsor Fees	<u>48,577</u>
Total Operating Expenses	<u>1,836,704</u>
Operating Loss	(217,479)
Non-Operating Revenues	
Federal and State Grants	<u>232,976</u>
Total Non-Operating Revenues	<u>232,976</u>
Change in Net Assets	15,497
Net Assets Beginning of Year	<u>18,627</u>
Net Assets End of Year	<u><u>\$ 34,124</u></u>

See accompanying notes to the basic financial statements

FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

INCREASE IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities

Cash Received from State	\$ 1,671,739
Cash Payments for Goods and Services	(1,906,453)
Net Cash Used in Operating Activities	<u>(234,714)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants Received	289,733
Net Cash Provided by Noncapital Financing Activities	<u>289,733</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS	55,019
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CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	33,544
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CASH AND CASH EQUIVALENTS END OF YEAR	<u>88,563</u>
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RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES

Operating Loss	(217,479)
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ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES

Changes in Assets and Liabilities:

Intergovernmental Receivable	52,514
Accounts Payable	(69,749)
Net Cash Used in Operating Activities	<u>\$ (234,714)</u>

FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Focus Learning Academy of Southwestern Columbus (formerly Life Skills Center of Southwestern Columbus) (the Academy) 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 Academy, which is part of the State's education program, is independent of any school district. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy.

The Academy contracts with Eschool Consultants, LLC (Eschool) for most functions. See Note 5 for details on this agreement.

The Academy 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 Academy operates under a self-appointing seven-member Board of Directors (the Board). The Academy'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 Academy has one instructional/support facility, which is leased by Eschool. The facility is staffed with teaching personnel employed by Eschool, who provide services to 242 students. Members of the Board are also members of the Board of the Focus Learning Academy of Southeastern Columbus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy 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 Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with GASB pronouncements. The more significant of the Academy's accounting policies are described below.

Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets, and a Statement of Cash Flows.

The Academy uses enterprise accounting to report on its financial activities. Enterprise accounting focuses on the determination of operating income, changes in net assets, financial position, and cash flows.

FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
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Enterprise accounting may be used to account for any activity for which a fee is charged to external users for goods or services.

Measurement Focus and Basis of Accounting

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

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 Academy's contract with its sponsor. The contract between the Academy 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.

Cash and Cash Equivalents

All cash received by the Academy is maintained in a demand deposit account. The Academy did not have any investments during fiscal year 2009.

Capital Assets and Depreciation

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

Intergovernmental Revenues

The Academy currently participates in the State Foundation Program and the State Disadvantaged Pupil Impact Aid (DPIA) Program. Revenue received from these programs is recognized as operating revenue. Amounts awarded under the above programs for the 2009 school year totaled \$1,619,225.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and entitlements 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 Academy on a reimbursement basis. The Academy received \$8,990 in state grants during fiscal year 2009.

The Academy also participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Under this program, the Academy was awarded \$223,986 during the year ended June 30, 2009.

Operating Revenues and Expenses

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

Net Assets

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

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.

3. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the Academy's deposits may not be returned. The Academy does not have a deposit policy for custodial credit risk. At June 30, 2009, the carrying amount of the Academy's deposits was \$88,563 and the bank balance was \$88,563. 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.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

4. RISK MANAGEMENT

Property and Liability

The Academy 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).

Director and Officer

Coverage has been purchased by the Academy 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 Academy entered into a three-year Management Agreement (Agreement) with Eschool, which is an educational consulting and management company. The agreement's termination date was June 30, 2009, a one year extension on the agreement has been signed. Eschool is responsible and accountable to the Board for the administration, operation, and performance of the Academy in accordance with the Academy's contract with the Ohio State Board of Education to operate the Academy. The Academy had purchased service expenses for the year ended June 30, 2009 to Eschool of \$2,062,983. Significant provisions of the Agreement are as follows:

Management, Consulting, and Operation Fee

The Academy is required to pay Eschool a monthly continuing fee of 93% of the Academy'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 Academy is responsible for its directors' and officers' insurance, legal fees for Academy Board representation and general corporate matters, accounting, audit, tax and consulting fees for the Academy, and other miscellaneous expenses not incurred in the normal day-to-day operation of the Academy.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

5. AGREEMENT WITH ESCHOOL (continued)

Eschool Financial Responsibilities

Except as otherwise provided in the Agreement, all costs incurred in providing the educational programs at the Academy 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 Academy is the property of Eschool, unless purchased directly by the Academy with Federal funds.

Eschool is required to maintain, at Eschool's expense, commercial general liability insurance in the name of the Academy 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 Academy is paid by Eschool. If Eschool fails to pay this compensation, the Academy, 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 Academy

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

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

6. DEFINED BENEFIT PENSION PLANS (continued)

School Employees Retirement System

Eschool Consultants, LLC, on behalf of the Academy, 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.

The 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 under Employer/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% 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).

State Teachers Retirement System

Eschool Consultants, LLC, on behalf of the Academy, 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.

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% 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.

The DB 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.

FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

6. DEFINED BENEFIT PENSION PLANS (continued)

The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds.

This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC Plan 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.

For the fiscal year ended June 30, 2009, plan members were required to contribute 10% of their annual covered salaries. The Academy was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2008, the portion used to fund pension obligations was also 13%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

6. DEFINED BENEFIT PENSION PLANS (continued)

The Academy's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$46,802, \$28,623, and \$20,872, respectively; 100% has been contributed for all fiscal years.

School Employees Retirement System

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.

7. POST-EMPLOYMENT BENEFITS

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 B premium or the current premium. The Medicare Part B premium for calendar year 2009 was \$96.40; SERS' reimbursement for retirees was \$45.50.

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 2009, the actuarial required allocation is 0.75%. The Academy's contributions for the years ended June 30, 2009, 2008 and 2007 were \$498, \$226, and \$214, 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's 14% contribution to the Health Care Fund. For the year ended June 30, 2009, the health care allocation is 4.16. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the

FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

7. POST-EMPLOYMENT BENEFITS (continued)
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total statewide SERS-covered payroll for the health care surcharge. For the fiscal year June 30, 2009, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care including surcharge for the years ended June 30, 2009, 2008 and 2007 were \$16,491, \$10,168, and \$9,823, respectively; all contributions were paid and reported under Eschool.

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

State Teachers Retirement System

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

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, 2009, 2008, and 2007. The 14% employer contribution rate is the maximum rate established under Ohio law. For 2009, STRS Ohio allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$3,343, \$2,044, and \$1,491, respectively; all contributions were paid and reported under Eschool.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
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NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

8. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2009, Eschool Consultants, LLC and its affiliates incurred the following expenses on behalf of the Academy.

	2009
Expenses	
Direct Expenses:	
Salaries & wages	\$ 666,643
Employees' benefits	192,865
Professional & technical services	7,491
Property services	101,356
Travel	4,441
Communications	50,093
Utilities	2,197
Contracted craft or trade services	26,817
Transportation	-
Books, periodicals, & films	5,376
Food & related supplies	29,182
Other supplies	19,813
Other direct costs	55,667
Indirect Expenses:	
Overhead	326,240
Total Expenses	\$ 1,488,181

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

9. CONTINGENCIES

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 Academy, any such disallowed claims will not have a material adverse effect on the financial position of the Academy.

**FOCUS LEARNING ACADEMY OF SOUTHWESTERN COLUMBUS
FRANKLIN COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

9. CONTINGENCIES (continued)

Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency calculations made by the Academy. These reviews are conducted to ensure the Academy is reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. A review has not been conducted for the 2008-2009 school year. However, any adjustments for FTE should not have a material effect on the accompanying financial statements presented.

10. FEDERAL TAX STATUS

On November 30, 2006, the Academy began the process of filing for tax exempt status under section 501(c)(3) of the Internal Revenue Code. In the interim, the Academy has filed IRS Form 990, "Return of Organization Exempt from Income Tax". As of the audit opinion date, the Internal Revenue Service returned the original 501(c)(3) application with comments that a new application should be filed under 509(a)(3). The Board of Directors continues to represent that they anticipate a favorable ruling on the tax-exempt status of the Academy.

11. SPONSORSHIP FEES

The Academy 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 is set at 3% of the State's annual School Foundation support..." The Sponsor is to provide oversight, monitoring, and technical assistance for the Academy. Amount paid to BCHF for fiscal year 2009 was \$48,577.



**Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Based on
an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Directors of
Focus Learning Academy of Southwestern Columbus
Columbus, Ohio

We have audited the financial statements of Focus Learning Academy of Southwestern Columbus (the Academy) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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



**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
(continued)**

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Focus Learning Academy of Southwestern Columbus in a separate letter dated December 23, 2009.

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

Columbus, Ohio
December 23, 2009

A handwritten signature in blue ink that reads 'Hemphill & Associates'.



Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors of
Focus Learning Academy of Southwestern Columbus
Columbus, Ohio

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

- We noted the Board of Director of Focus Learning Academy of Southwestern Columbus adopted an anti-harassment policy at its meeting on June 14, 2007.
- We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - 1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - 2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - 3) A procedure for reporting prohibited incidents;
 - 4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

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

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

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

Columbus, Ohio
December 23, 2009

Hemphill & Associates



Mary Taylor, CPA
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
FEBRUARY 23, 2010