FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY

Financial Statements

FOR THE YEAR ENDED JUNE 30, 2008

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Accountants' Report* of the Focus Learning Academy of Northern Columbus, Franklin County, prepared by Hemphill & Associates, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 1, 2009

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FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY

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Hemphill & Associates
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the Focus Learning Academy of Northern Columbus (the Entity) as of and for the year ended June 30, 2008 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 Northern Columbus as of June 30, 2008, 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 January 22, 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.

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www.hemphill-cpa.com

Hemphill & Associates
Certified Public Accountants

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 require. 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.

Hemphill & Associates

Columbus, Ohio
January 22, 2009

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
FRANKLIN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2008

The discussion and analysis of Focus Learning Academy of Northern Columbus (the School) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the transmittal letter, the basic financial statements, and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

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

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

- Total net assets decreased $28,129 in fiscal year 2008.
- Due to an increase in enrollment, state aid increased from $673,571 in fiscal year 2007 to $1,242,051 in fiscal year 2008.
- Grant revenue increased from $110,213 in fiscal year 2007 to $178,796 in fiscal year 2008.
- Similarly, total expenses increased from $820,392 in fiscal 2007 to $1,448,976 in fiscal year 2008.
- Current liabilities increased $75,490 with current assets increasing $47,361 in fiscal year 2008.
- The School has no long term debt outstanding as of June 30, 2008.

Using this Financial Report

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

The *Statement of Net Assets* and *Statement of Revenues, Expenses, and Changes in Net Assets* reflect how the School did financially during fiscal year 2008. These statements include *all assets* and *liabilities* using the *accrual basis of accounting*, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

The School uses enterprise presentation for all of its activities.

Table 1 provides a summary of the School's net assets for 2008 compared to the prior year.

(Table 1)
Statement of Net Assets

	2008	2007
Assets		
Current Assets	$84,501	$37,140
Liabilities		
Current Liabilities	$86,543	$11,053
Net Assets		
Unrestricted	$(2,042)	$26,087

Cash and other current assets increased 127.5% (from $37,140 in 2007 to $84,501 in 2008). This is due to increased intergovernmental receivables from state foundation and federal grants as of June 30, 2008.

Current liabilities increased 683%. Accounts payable increased from $11,053 in 2007 to $86,543 in 2008 as a result of payment of amounts owed to Eschool Consultants LLC related to the management agreement for state and federal grants receivable.

Total net assets decreased by $28,129 (107.8%). This loss is due to startup costs for construction to expand the school's offerings from 9-12 to K-12.

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

(Table 2)
Change in Net Assets

	2008	2007
OPERATING REVENUE		
State foundation	$ 1,242,051	$ 673,571
NON-OPERATING REVENUE		
Grants	178,796	110,213
Total Revenues	1,420,847	783,784
OPERATING EXPENSES		
Advertising	724	533
Auditing and Accounting	27,235	27,845
Board Meeting Expense	1,823	18,375
Liability Insurance	4,944	9,929
Other Services	43,084	18,767
Purchased Services: Management Fees	1,155,108	613,520
Purchased Services: Grant Programs	178,796	111,217
Sponsor Fees	37,262	20,206
Total Expenses	1,448,976	820,392
Change in Net Assets	$ (28,129)	$ (36,608)

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 87% of revenues for the School in fiscal year 2008. Grant revenue increased from $110,213 in fiscal year 2007 to $178,796 in fiscal year 2008. Full-time equivalent enrollment increased from 113 students in fiscal year 2007 to 196 students in fiscal year 2008. The school's net loss for fiscal year 2008 is primarily due to construction costs for a second building so the school can offer K-12 education in fiscal year 2009 and beyond.

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.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School had no capital assets. Per the management agreement, all capital assets are owned by Eschool Consultants, LLC.

Debt

At June 30, 2008, the School had no long term debt.

Current Financial Related Activities

The School is in its third year with Eschool Consultants, LLC as its management company. The school has received approval to increase its grade offering from 9-12 to K-12. As a result, enrollment as of November 2008 has increased to 238 students. 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 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 School's finances. Questions concerning any of the information in this report or requests for additional information should be directed to Brian G. Adams, Fiscal Officer for the Focus Learning Academy of Northern Columbus, 7215 Sawmill Rd, Suite 50, Dublin, Ohio 43016, or e-mail at badams@ocscltd.com.

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
STATEMENT OF NET ASSETS
JUNE 30, 2008

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	30,393
Intergovernmental Receivable		54,108
TOTAL ASSETS	$	84,501
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	86,543
TOTAL LIABILITIES	$	86,543
NET ASSETS		
Restricted for Grants	$	41,393
Unrestricted		(43,435)
TOTAL NET ASSETS	$	(2,042)

See accompanying notes to the basic financial statements

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Operating Revenues	
State foundation	$1,242,051
Operating Expenses	
Advertising	724
Auditing and Accounting	27,235
Board Meeting Expense	1,823
Liability Insurance	4,944
Other Services	43,084
Purchased Services: Management Fees	1,155,108
Purchased Services: Grant Programs	178,796
Sponsor Fees	37,262
Total Operating Expenses	1,448,976
Operating Loss	(206,925)
Non-Operating Revenues	
Federal and State Grants	178,796
Total Non-Operating Revenues	178,796
Change in Net Assets	(28,129)
Net Assets Beginning of Year	26,087
Net Assets End of Year	$ (2,042)

See accompanying notes to the basic financial statements

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

INCREASE IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities	
Cash Received from State Foundation	$ 1,230,068
Cash Payments for Goods and Services	(1,370,935)
Net Cash Used in Operating Activities	(140,867)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Grants	157,445
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,578
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR	13,815
CASH AND CASH EQUIVALENTS END OF YEAR	$ 30,393
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES	
Operating Loss	$ (206,925)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES	
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	2,552
Increase in Intergovernmental Receivable	(11,983)
Increase in Accounts Payable	75,489
Net Cash Used in Operating Activities	$ (140,867)

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

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

The School was approved for operation under contract with the Ohio State Board of Education (the Sponsor) for a period of five years from May 16, 2000 through June 30, 2005. In April 2005, Buckeye Community Hope Foundation became the sponsor. The School operates under a self-appointing five-member Board of Directors (the Board). The School's Code of Regulations specify that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the Sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility, which is leased by Eschool. The facility is staffed with teaching personnel employed by Eschool, who provide services to 196 students. One member of the Board is also member of the Board of the Focus Learning Academy of Southwestern 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 Southeastern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Columbus.

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY (continued)

A nonprofit was formed May 2002 in the name of the Life Skills Center of Northern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Montgomery County. Also formed in May 2002 was the nonprofit entity the Life Skills Center of Southwestern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Southwestern Ohio.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

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

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 need to follow the provisions of Ohio Rev. Code Section 5705.

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 2008.

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)

Intergovernmental Revenues

The School 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 revenues. Amounts awarded under the above programs for the 2008 school year totaled $1,242,051.

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 School on a reimbursement basis. The School received $6,890 in state grants during fiscal year 2008.

The School also participates in the Comprehensive Continuous Improvement Planning Program through the Ohio Department of Education. Under this program, the School was awarded $171,816 during the year ended June 30, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Net Assets

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

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.

Contingency

Certain Organization revenues are subject to review by various funding sources, the purpose of which is to ensure compliance with contractual obligations. Revenues may be adjusted in subsequent periods as a result of these reviews.

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, 2008, the carrying amount of the School's deposits was $30,393 and the bank balance was $30,393. 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

4. RISK MANAGEMENT (continued)

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 School with a $1,000,000 aggregate limit and no deductible.

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

5. AGREEMENT WITH ESCHOOL

Effective July 1, 2006, the School entered into a three-year Management Agreement (Agreement) with Eschool, which is an educational consulting and management company. The agreement's termination date is June 30, 2009. 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, 2008 to Eschool of $1,333,904. 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", as defined in the Management Agreement between the School and Eschool dated July 1, 2006. All funding, not defined as "qualified gross revenues, shall be paid 100% to Eschool for expenditures incurred.

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.

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,

5. AGREEMENT WITH ESCHOOL (continued)

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 the Employer-of-Record and the School ultimately responsible for remitting retirement contributions to the systems noted below:

6. DEFINED BENEFIT PENSION PLANS (continued)

School Employees Retirement System

Eschool Consultants LLC, on behalf of the School, contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org.

Plan members are required to contribute 10% of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14% of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2007, 10.58% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts of 10% for plan members and 14% for employers, by the SERS Retirement Board. The School's required contribution for pension obligations to SERS for the years ended June 30, 2008, 2007, and 2006 were $34,780, $32,750, and $0, respectively; 100% has been contributed for fiscal years 2008 and 2007.

State Teachers Retirement System

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, 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, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor.

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member.

6. DEFINED BENEFIT PENSION PLANS (continued)

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan.

The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service 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, 2008, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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, 2008, 2007, and 2006 were $17,200, $20,408, and $0, respectively; 100% has been contributed for fiscal year 2008 and 2007.

7. POST-EMPLOYMENT BENEFITS

Eschool of Ohio, LLC, on behalf of the School, provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians’ fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both Systems are funded on a pay-as-you-go basis.

STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much,

7. POST-EMPLOYMENT BENEFITS (continued)

if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2008, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled $1,229 for fiscal year 2008.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 4.18% of covered payroll, compared to 3.32% of covered payroll for fiscal year 2007. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established at $35,800. However, the surcharge is capped at 2% of each employer's SERS salaries. For the 2008 fiscal year, the School paid $5,019 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year.

8. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2008, Eschool Consultants, LLC and its affiliates incurred the following expenses on behalf of the School.

	2008
Expenses	
Direct Expenses:	
Salaries & wages	$ 374,580
Employees' benefits	125,636
Professional & technical services	4,723
Property services	132,953
Travel	5,981
Communications	51,771
Contracted craft or trade services	17,368
Books, periodicals, & films	14,219
Food & related supplies	25,811
Other supplies	17,918
Other direct costs	4,931
Indirect Expenses:	
Overhead	149,397
Total Expenses	$ 925,288

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

9. CONTINGENCIES

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.

Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency calculations made by the School. These reviews are conducted to ensure the School is reporting accurate student enrollment data to the State, upon which state foundation funding is

9. CONTINGENCIES (continued)

calculated. The review for fiscal year 2008 resulted in the discovery of an underpayment to the School in the amount of $12,715. This amount has been recorded as intergovernmental receivable in the financial statements. Under the terms of the management agreement with Eschool (See Note 5), a related account payable in the amount of $11,825 has been recorded by the School for 93% of the amount due to Eschool.

10. FEDERAL TAX STATUS

On November 30, 2006, the School began the process of filing for tax exempt status under section 501(c)(3) of the Internal Revenue Code. In the interim, the School has filed the appropriate IRS Form 990, "Return of Organization Exempt from Income Tax" returns. A ruling by the IRS on this application is anticipated sometime prior to the end of the FY 09 fiscal year. Management is of the opinion that an adverse ruling on this application will not have a material effect on its financial statements. Therefore, no attempt has been made to recognize a contingency for the impact of an adverse ruling in the financial statements of the School at June 30, 2008.

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. The amount paid to BCHF for fiscal year 2008 was $37,262.

12. SUBSEQUENT EVENTS

In November of 2008 the school received approval from its sponsor to increase its grade offerings from 9-12 to K-12. The school's management company has contracted for a second building and has enrolled 49 additional students to date.

Hemphill & Associates
Certified Public Accountants

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 Northern Columbus
Columbus, Ohio

We have audited the financial statements of Focus Learning Academy of Northern Columbus (the Entity) as of and for the year ended June 30, 2008, and have issued our report thereon dated January 22, 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 Northern 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 Northern Columbus' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization'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 organization's internal control.

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.

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Report on Internal Control Over Financial Reporting and
On Compliance and Other Matters Based on
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Government Auditing Standards
(Continued)

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 Northern 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*.

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

Columbus, Ohio
January 22, 2009

Hemphill & Associates

Mary Taylor, CPA
Auditor of State

FOCUS LEARNING ACADEMY OF NORTHERN COLUMBUS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 14, 2009

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