PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2012

Dave Yost • Auditor of State

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Phoenix Community Learning Center
Hamilton County
3595 Washington Avenue
Cincinnati, Ohio 45229

To the Board of Directors:

We have audited the accompanying basic financial statements of the Phoenix Community Learning Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express opinions 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 reasonably assure 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 financial position of Phoenix Community Learning Center, Hamilton County, Ohio, as of June 30, 2012, and the 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 18, 2013, on our consideration of the Center'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.ohioauditor.gov

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Center's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dave Yost

Dave Yost
Auditor of State

January 18, 2013

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Management Discussion and Analysis
June 30, 2012
Unaudited

The discussion and analysis of Phoenix Community Learning Center's (the PCLC) financial performance provides an overall review of the financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the PCLC's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the PCLC'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 in June 1999. Certain comparative information between the current year and the prior year is required to be presented, and is presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- The assets of the PCLC exceeded its liabilities at year-end by $273,407. None of the balance is unrestricted due to the outstanding line of credit payable.
- In total, net assets decreased by $238,419.
- Total liabilities decreased by $21,900 as the PCLC started to pay down the SELF loan that was used to acquire and renovate the new facility.
- The Center provided service to 353 students, which is down from the 381 students in 2011.

Using This Financial Report

This financial report contains the basic financial statements of the PCLC, as well as the Management's Discussion and Analysis and notes to the basic financial statements. The basic financial statements include a statement of net assets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows. As the PCLC reports its operations using enterprise fund accounting, all financial transactions and accounts are reported as one activity, therefore the entity wide and the fund presentations information is the same.

Statement of Net Assets

The statement of net assets answers the question, "How did we do financially during the fiscal year?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term, using the accrual basis of accounting and the economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Management Discussion and Analysis
June 30, 2012
Unaudited

This statement reports the PCLC's net assets, however, in evaluating the overall position and financial viability of the PCLC, non-financial information such as the condition of the PCLC building and potential changes in the laws governing charter schools in the State of Ohio will also need to be evaluated.

The following table presents a condensed summary of the PCLC's overall financial position at June 30, 2012 and June 30, 2011.

	2012	2011
Current and other assets	$296,463	$451,431
Capital assets	3,820,218	3,925,569
Total assets	4,116,681	4,377,000
Current liabilities	466,671	417,658
Long term liabilities	3,376,603	3,447,516
Total liabilities	3,843,274	3,865,174
Net assets:		
Invested in capital assets, net of debt	372,918	412,458
Restricted	1,404	14,029
Unrestricted	(100,915)	85,339
Total net assets	$273,407	$511,826

Total net assets of the PCLC decreased by $238,419 compared with a decrease of $94,837 in the prior year. The decrease for assets resulted from the depreciation ($92,803) on the PCLC building. Also contributing to the reduction in net assets was state funding to the PCLC was down $75,320 from 2011 and with the expiration of the ARRA grants another $460,824 was not received in federal grants. Liabilities decreased as the PCLC started to pay down the SELF loan and also reported $38,396 less in accounts payable at year end but saw an increase of $100,000 for the line of credit payable. The restricted net asset balance is related to the available cash in the state and federal grants the PCLC receives and is restricted to those programs.

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Management Discussion and Analysis
June 30, 2012
Unaudited

Statement of Revenues, Expenses, and Changes in Net Assets

The following table represents a condensed summary of the PCLC's activities for the years ended June 30, 2012 and 2011.

	2012	2011
Revenues:		
Operating revenues:		
State Foundation	$2,036,989	$2,328,796
Poverty Based Assistance	329,144	112,657
Charges for services	2,662	1,707
Other operating revenues	43,092	1,500
Non-operating revenues:		
Federal grants	670,690	1,131,514
State grants	11,043	10,131
Total revenues	3,093,620	3,586,305
Expenses:		
Operating expenses:		
Salaries and wages	1,604,123	1,634,627
Fringe benefits	587,588	530,539
Purchased services:		
Professional and technical services	323,996	382,870
Property services	81,055	100,338
Communications	28,919	33,687
Utilities	53,062	70,861
Food Service	230,155	267,704
Other	1,659	3,841
Materials and supplies	77,619	126,535
Depreciation	132,111	126,759
Other expenses	1,356	3,498
Non-operating expenses:		
Interest and fiscal charges	210,396	263,366
Total expenses	3,332,039	3,544,625
Change in net assets	(238,419)	41,680
Ending Net Assets	$273,407	$511,826

Revenues decreased by thirteen percent as during 2011, the PCLC was receiving funding on several ARRA federal grants that expired and were not renewed for 2012. The PCLC's main funding source, state foundation revenue, actually decreased due to the decrease in students. The PCLC's expenses did decrease with cuts in the staffing levels. The main reductions were in the purchased services expense categories due to the PCLC focusing on costs that are critical and evaluating if the service was critical to the mission.

Capital Assets

At June 30, 2012, the PCLC had $3,820,218 invested in a broad range of capital assets, including land, construction in progress, buildings, furniture, and equipment.

Capital Assets at Year-End (Net of Depreciation)

	2012	2011
Land	$287,700	$287,700
Buildings	3,433,393	3,526,196
Equipment and furniture	99,125	111,673
Total	$3,820,218	$3,925,569

The PCLC had $26,760 in capital assets additions; however, the current year depreciation was $132,111. As a result, the PCLC's capital assets decreased by $105,351. See Note 5 of the notes to the basic financial statements for more detailed information on the PCLC's capital assets.

Debt Administration

The PCLC entering into a loan agreement with Self Help Ventures Fund for $3,627,252 of long term loans payable during 2009. The loan will be paid back through operating revenues and matures in fiscal year 2016. The loan carries an annual interest rate of 6.51%. The PCLC retired $65,811 on the obligation during the fiscal year. The PCLC also drew on the PNC Bank line credit during the year ending with a payable of $100,000. See Notes 13 and 14 of the notes to the basic financial statements for more detailed information on the PCLC's short and long-term debt.

Contacting the PCLC

This financial report is designed to provide a general overview of the finances of the Phoenix Community Learning Center and to show the PCLC's accountability for the monies it receives to all vested and interested parties, as well as meeting the annual reporting requirements of the State of Ohio. Any questions about the information contained within this report or requests for additional financial information should be directed to:

Phoenix Community Learning Center
3595 Washington Avenue
Cincinnati, OH 45229
(513) 351-5801

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
STATEMENT OF NET ASSETS

JUNE 30, 2012

Assets:	
Current assets:	
Cash	$ 79,345
Accounts receivable	4,147
Intergovernmental receivable	112,293
Prepaid Items	1,116
Total current assets	196,901
Noncurrent assets:	
Deferred Charges	99,562
Non depreciable capital assets	287,700
Depreciable capital assets, net	3,532,518
Total noncurrent assets	3,919,780
Total Assets	4,116,681
Liabilities:	
Current liabilities	
Accounts payable	13,873
Accrued wages and benefits	230,190
Intergovernmental payable	51,911
Line of Credit payable	100,000
Amount due within one year - loan payable	70,697
Total current liabilities	466,671
Long term liabilities	
Loan payable	3,376,603
Total Liabilities	3,843,274
Net Assets:	
Invested in capital assets, net of related debt	372,918
Restricted	1,404
Unrestricted	(100,915)
Total net assets	$ 273,407

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Statement of Revenues, Expenses and Changes in Net Assets

Year Ended June 30, 2012

Operating Revenues:		
State foundation	$	2,036,989
Poverty Based Assistance		329,144
Charges for services		2,662
Other operating revenues		43,092
Total operating revenues		2,411,887
Operating Expenses:		
Salaries and wages		1,604,123
Fringe benefits		587,588
Purchased Services:		
Professional and tehnical services		323,996
Property services		81,055
Communications		28,919
Utilities		53,062
Food services		230,155
Other		1,659
Materials and supplies		77,619
Depreciation		132,111
Other expenses		1,356
Total operating expenses		3,121,643
Operating Loss		(709,756)
Nonoperating revenues (expenses):		
Interest and Fiscal Charges		(210,396)
Federal grants		670,690
State grants		11,043
Total nonoperating revenues		471,337
Change in net assets		(238,419)
Net assets, beginning of year		511,826
Net assets, end of year	$	273,407

See accompanying notes to the basic financial statements

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY, OHIO
Statement of Cash Flows

Year Ended June 30, 2012

Cash flows from operating activities:	
Cash received from State of Ohio - Foundation	$ 2,036,989
Cash received from State of Ohio - Poverty Based Assistance	329,144
Cash received from customers	2,662
Cash received from other operating revenues	43,092
Cash payments for personal services	(2,236,438)
Cash payments for contract services	(732,734)
Cash payments for supplies and materials	(80,356)
Cash payments for other expenses	(1,356)
Net cash used for operating activities	(638,997)
Cash flows from noncapital financing activities:	
Cash received from line of credit draws	177,000
Cash payment for line of credit draws	(77,000)
Cash received from state and federal grants	695,453
Net cash provided by noncapital financing activities	795,453
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(26,760)
Principal paid on loan payable	(65,811)
Interest paid on loan payable	(205,870)
Net cash used for capital and related financing activities	(298,441)
Net change in cash and cash equivalents	(141,985)
Cash and Cash Equivalents at beginning of year	221,330
Cash and Cash Equivalents at end of year	79,345

Reconciliation of operating loss to net cash used for operating activities:

Operating loss	(709,756)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	132,111
Change in assets and liabilities:	
Prepaid items	(1,116)
Accounts payable	(38,396)
Accrued wages and benefits	(24,452)
Intergovernmental payable	6,759
Net cash used for operating activities	$ (638,997)

See accompanying notes to the basic financial statements

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Phoenix Community Learning Center, Hamilton County, Ohio (PCLC) 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 PCLC has been determined by the Internal Revenue Service to be a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The PCLC, which is part of the State's education program, is independent of any school district. The PCLC may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the PCLC.

The PCLC was approved for operation under a Community School Contract (Contract) with the Ohio State Board of Education (Sponsor) for a period of five years commencing July 1, 2001. Effective July 1, 2005, the Fordham Foundation took over sponsorship of the PCLC under a five year agreement. The agreement was originally amended for a one year period until June 30, 2011. Currently, the Fordham Foundation and the PLCL are operating under a two year amendment (third) to the original agreement that will expire on June 30, 2013. The PCLC began operations on July 1, 2001. The Sponsor is responsible for evaluating the PCLC's performance and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration.

The PCLC operates under a self-appointing, multi-member Board of Directors (the Board) consisting of five (5) members. Exhibit III of the PCLC's Community School Contract, specifies that vacancies arising on the Board may be filled by the appointment of successors by a majority 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 PCLC has one instructional/support facility staffed by 47 personnel, which provides services to approximately 353 students. Mr. Luther Brown and Dr. Glenda Brown are the founders of the PCLC. Mr. Luther Brown, Board Chairman, is the husband of Dr. Glenda Brown, Superintendent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The PCLC's financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) 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 PCLC also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The more significant of the PCLC's accounting policies are described below.

A. BASIS OF PRESENTATION

The PCLC uses enterprise accounting to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by measurement focus. 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 difference between total assets and liabilities is defined as net assets. The statement of revenues, expenses, and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. BUDGETARY PROCESS

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 a school's contract with its sponsor. The Contract between the PCLC and the Sponsor prescribes a budgetary process for the PCLC requiring the Superintendent, Business Manager/Treasurer, and the Board to review the financial statements on a monthly basis. In addition, the PCLC is required to prepare an updated forecast on a monthly or quarterly basis.

D. CASH AND RESTRICTED CASH

All monies received by the PCLC are maintained in a demand deposit account. For internal accounting purposes, the cash is segregated into various funds.

E. CAPITAL ASSETS AND DEPRECIATION

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market value as of the date received. The PCLC maintains a capitalization threshold of $500. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are expensed.

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the capital assets. Buildings are depreciated using the straight-line method over an estimated useful life of forty years. Land and construction in progress are not depreciated. Improvements to the building are depreciated over the remaining life of the building. The PCLC does not possess any infrastructure.

F. INTERGOVERNMENTAL REVENUES

The PCLC currently participates in the State Foundation Program and Poverty Based Assistance (PBA) Program. Revenues received from these programs are recognized as operating revenues in which they are earned, essentially the same as the fiscal year.

Federal and state grants 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 PCLC must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the PCLC on a reimbursement basis.

The PCLC participates in other various federal programs through the Ohio Department of Education. These include the National School Lunch Program, Breakfast, Education Jobs, Race to the Top, Title I, Title II-A&D, IDEA Part B, Fiscal Stabilization, and Drug Free.

G. ESTIMATES

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

H. DEFERRED CHARGES

The PCLC reports deferred charges for all the issuance costs associated with the long term obligation incurred for the acquisition of the land and building. The deferred charges will be amortized over the same schedule as the debt payments.

I. NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes of which both restricted and unrestricted net assets are available.

J. LONG TERM OBLIGATIONS

All payables and long-term obligations are reported on the statement of net assets for PCLC.

3. DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the PCLC's deposits may not be returned to it. The PCLC's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pooled collateral. At June 30, 2012, the PCLC had a carrying value of $79,345. The bank balance was $98,526 with the entire balance being covered through the Federal Depository Insurance Corporation (FDIC).

4. INTERGOVERNMENTAL RECEIVABLES

Intergovernmental Receivables at June 30, 2012, consisted of intergovernmental grants. All intergovernmental receivables are considered collectible in full given the stable condition of State programs and the current fiscal year guarantee of federal funds. The principle items of intergovernmental receivables as of June 30, 2012 are as follows:

Intergovernmental Receivable	Amount
SERS Refund	$5,844
Federal Food Subsidy	26,947
Education Jobs Grant	6,553
Race to the Top Grant	15,026
Title VI-B Grant	7,684
Title I Grant	47,703
Title II-A Grant	2,536
Total	$112,293

5. CAPITAL ASSETS

A summary of the capital assets as of June 30, 2012 is as follows:

	Balance 7/1/11	Additions	Disposals	Balance 6/30/12
Non-depreciable assets:				
Land	$287,700	$0	$0	$287,700
Depreciable assets:				
Buildings	3,711,802	0	0	3,711,802
Equipment and furniture	447,029	26,760	0	473,789
Total depreciable assets	4,158,831	26,760	0	4,185,591
Less accumulated depreciation:				
Buildings	(185,606)	(92,803)	0	(278,409)
Equipment and furniture	(335,356)	(39,308)	0	(374,664)
Total accumulated depreciation	(520,962)	(132,111)	0	(653,073)
Capital assets, net	$3,925,569	($105,351)	$0	$3,820,218

6. RISK MANAGEMENT

A. Property Liability

The PCLC is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural diasters. For fiscal year 2012, the PCLC contracted with Western World Insurance Company for personal business property and general liability insurance. The policy's general aggregate each occurrence limit is $2,000,000 with $210,000 for personal business and a $0 deductible. The PCLC has non-profit directors and officer's liability insurance (D&O) and employment practices liability (EP) through United States Liability Insurance Company with a $1,000,000 (both) and $2,500 deductible for D&O and $5,000 deductible for EP. There has been no reduction in coverage from the prior year and settled claims have not exceeded PCLC's coverage in any of the past three years.

Workers' Compensation

The PCLC pays the State Workers' Compensation System a premium for each employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor calculate by the State.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The PCLC 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

7. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 10% of their annual covered salary and the PCLC is required to contribute at an actuarially determined rate. The current PCLC rate is 14% of annual covered payroll. A portion of the PCLC's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2012. 11.81 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 a statutory maximum amount, by the SERS Retirement Board. The PCLC's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 were approximately $32,861, $28,124, and $55,974, respectively; 78% has been contributed for 2012 and 100% has been contributed for 2011 and 2010 fiscal years.

B. State Teachers Retirement System

The PCLC participates in the State Teachers Retirement System of Ohio (STRS Ohio), 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 that may be obtained by writing to STRS Ohio, 275 E. Broad Street, Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

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 times 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. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

7. DEFINED BENEFIT PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2012, plan members were required to contribute 10.0% of their annual covered salaries. The PCLC 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 PCLC's required contributions for pension obligations for the fiscal years ended June 30, 2012, 2011, and 2010 were approximately $183,351, $167,651, and $159,376, respectively; 83% has been contributed for 2012 and 100% has been contributed for 2011 and 2010 fiscal years. Contributions to the DC and Combined Plans for fiscal year 2012 were $9,380 made by the PCLC and $6,700 made by the plan members.

8. POSTEMPLOYMENT BENEFITS

The PCLC provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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.

Plan Description – The PCLC 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.

8. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The PCLC's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were $14,104, $12,896, and $12,260 respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

Plan Description – The PCLC participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, 1.43 percent of covered payroll was allocated to health care.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The PCLC's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were $3,979, $3,405, and $2,833 respectively; 78 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2012, this actuarially required allocation was 0.76 percent of covered payroll. The PCLC's contributions for Medicare Part B for the fiscal year ended June 30, 2012, 2011, and 2010 were $2,115, $1,810, and $4,680, 78 percent has been contributed for fiscal year 2012 with 100% for fiscal years 2011 and 2010.

9. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

All employees receive 5 sick days and 2 personal days per school year. Employees are not permitted to carry over balances at year end; therefore, there is no liability for accrued compensated absences.

B. Employee Medical and Dental Benefits

The PCLC has purchased insurance from Anthem Blue Cross/Blue Shield to provide employee medical/surgical. The PCLC pays 75% for the employee's rate and 70% of any dependents, including spouses. Dental Care Plus provides dental coverage to all employees with PCLC paying 80% of the premium.

10. CONTINGENCIES

A. Grants

The PCLC received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the PCLC at June 30, 2012.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The PCLC received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the PCLC at June 30, 2012, if applicable, cannot be determined at this time

10. CONTINGENCIES (Continued)

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and FTE calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. This information was not available as of the date of this report. The PCLC does not anticipate any material adjustments to state funding for fiscal year 2012, as a result of such review.

11. BOARD MEMBERS

Board members receive a $125 stipend per meeting effective May 2010 and still the effective rate.

12. RELATED PARTY TRANSACTIONS

Dr. Glenda Brown, Superintendent, and Mr. Luther Brown, Board President, who are co-founders of PCLC, are married.

The PCLC employed Sherrylon Miree, Dr. Glenda Brown's niece, during 2012 and was paid $38,245 in salary. The PCLC employeed Jimmy Latham Jr., Dr. Glenda Brown's nephew, as a physical education teacher from August until December 2011 and was paid $12,321.

13. SHORT TERM DEBT ACTIVITY

The changes in the PCLC's short-term debt obligations during the year consist of the following:

	Obligation Outstanding 7/01/11	Additions	Reductions	Obligation Outstanding 6/30/12
PNC Line of Credit 5.75%	$0	$177,000	$77,000	$100,000

The PCLC has a standing line of credit with PNC Bank for operating cash flows. The PCLC took several draws and repaid them during the year. The balance at June 30, 2012 will be repaid during fiscal year 2013.

14. LONG TERM LIABILITIES

The changes in the PCLC's long-term obligations (non-current liabilities) during the year consist of the following:

	Obligation Outstanding 7/01/11	Additions	Reductions	Obligation Outstanding 6/30/12	Amounts Due in One Year
Self Help Venture					
Loan Payable					
6.51% 3/29/2016	$3,513,111	$0	$65,811	$3,447,300	$70,697

The PCLC entered into a loan agreement during 2009 with Self Help Ventures Fund to acquire land and a building for their new facility. The loan is also used to complete renovation of the building for use by the PCLC in fiscal year 2010. The loan will be retired from operating dollars and amortized over a twenty-five year schedule but is due in 2016 with a balloon payment on the final due date.

	Long Term Loan		
Fiscal Year Ending June 30,	Principal	Interest	Total
2013	$70,697	225,682	$296,379
2014	75,509	220,874	296,383
2015	80,644	215,735	296,379
2016	3,220,450	158,373	3,378,823
Totals	$3,447,300	$1,051,450	$4,367,964

15. SUBSEQUENT EVENTS

On July 12, 2012, the PCLC repaid the $100,000 line of credit payable. The PCLC has drawn $167,000 on the line of credit and repaid $167,000 during fiscal year 2013.

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Ohio Department of Education			
Child Nutrition Cluster:			
National School Breakfast	10.553	$83,939	$83,939
National School Lunch	10.555	134,778	134,778
Total Child Nutrition Cluster		218,717	218,717
Total U.S. Department of Agriculture		**218,717**	**218,717**
U.S. DEPARTMENT OF EDUCATION			
Passed Through Ohio Department of Education			
Special Education Cluster:			
IDEA Part B	84.027	61,320	68,754
Total Special Education Cluster		61,320	68,754
Education Jobs	84.41	37,363	38,888
Race to the Top	84.395	47,178	49,295
Title I Cluster:			
Title I, Consolidated	84.010	297,404	293,370
Title I, ARRA	84.389	(1,037)	12,538
Total Title I Cluster		296,367	305,908
Title II D	84.318	3,393	3,519
Improving Teacher Quality - Title II-A	84.367	26,245	18,062
Total U.S. Department of Education		**471,866**	**484,426**
Total		**$690,583**	**$703,143**

The accompanying notes are an integral part of this schedule.

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Phoenix Community Learning Center's (the Center's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The Center commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the Center assumes it expends federal monies first.

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Phoenix Community Learning Center
Hamilton County
3595 Washington Avenue
Cincinnati, Ohio 45229

To the Board of Directors:

We have audited the basic financial statements of Phoenix Community Learning Center, Hamilton County, Ohio (the Center), as of and for the year ended June 30, 2012, and have issued our report thereon dated January 18, 2013. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Center's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Center's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Government's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

As part of reasonably assuring whether the Center's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.ohioauditor.gov

We did note certain matters not requiring inclusion in this report that we reported to the Center's management in a separate letter dated January 18, 2013.

We intend this report solely for the information and use of management, Board of Directors, the Community School's sponsor, federal awarding agencies and pass-through entities, and others within the Center. We intend it for no one other than these specified parties.

Dave Yost
Auditor of State

January 18, 2013

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Phoenix Community Learning Center
Hamilton County
3595 Washington Avenue
Cincinnati, Ohio 45229

To the Board of Directors:

Compliance

We have audited the compliance of Phoenix Community Learning Center, Hamilton County, Ohio (the Center), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Phoenix Community Learning Center's major federal programs for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the Center's major federal programs. The Center's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the Center's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Center's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Center's compliance with these requirements.

In our opinion, the Phoenix Community Learning Center complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The Center's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Center's internal control over compliance.

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

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

We intend this report solely for the information and use of the management, Board of Directors, the Community School's sponsor, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost
Auditor of State

January 18, 2013

PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I Cluster – CFDA 84.010 and 84.389 Nutrition Cluster – CFDA 10.555 and 10.553
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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PHOENIX COMMUNITY LEARNING CENTER
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2011-001	34 CFR 200.58 – No documentation meeting requirements for Highly Qualified Teachers.	Yes	Corrective Action Plan filed with Ohio Department of Education in August 2012

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PHOENIX COMMUNITY LEARNING CENTER

HAMILTON 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 5, 2013

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov