



Rea & associates *a brighter way*

# Focus Learning Academy of Northern Columbus Franklin County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2014





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Focus Learning Academy of Northern Columbus, Franklin County, prepared by Rea & Associates, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

April 21, 2015

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

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January 26, 2015

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

## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Focus Learning Academy of Northern Columbus, Franklin County, Ohio (the "School") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2015 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Hea & Associates, Inc.*

Medina, Ohio

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The management's discussion and analysis of the financial performance of the Focus Learning Academy of Northern Columbus (the "School") provides an overall review of the School's financial activities for the fiscal year ending June 30, 2014. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2014 are as follows:

- In total, the School's net position increased \$167,711 from net position at June 30, 2013.
- The School had total revenues of \$2,545,833, including operating revenues of \$1,990,313 and non-operating revenues of \$555,520, which supported operating expenses of \$2,378,122 during fiscal year 2014.

**Using the Basic Financial Statements**

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

**Reporting the School's Financial Activities**

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

These statements consider all financial transactions and address the question, "How did the School perform financially during 2014?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the School's net position and changes in net position. This change in net position is important because it tells the reader that, for the School as a whole, the financial position of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 8 and 9 of this report. The statement of cash flows can be found on page 10.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 11 through 21 of this report.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

The table below provides a summary of the School's net position at June 30, 2014 and June 30, 2013.

	2014	2013
<b><u>Net Position</u></b>		
<b><u>Assets</u></b>		
Current assets	\$ 249,002	\$ 127,621
Capital assets, net	23,966	17,037
Total assets	272,968	144,658
<b><u>Liabilities</u></b>		
Current liabilities	176,241	208,968
Non-current liabilities	-	6,674
Total liabilities	176,241	215,642
<b><u>Net Position</u></b>		
Investment in capital assets	23,966	17,037
Unrestricted (deficit)	72,761	(88,021)
Total net position (deficit)	\$ 96,727	\$ (70,984)

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2014, the School's assets exceeded liabilities by \$96,727, an increase of \$167,711 from balances at June 30, 2013.

**Assets**

Current assets increased by \$121,381 from 2013; changes in current assets were due to an increase in cash and cash equivalents of \$70,615 and an intergovernmental receivable for the year-end enrollment review from the Ohio Department of Education in the amount of \$45,327.

At year-end, capital assets, net of accumulated depreciation, represented 8.78 percent of total assets. Capital assets at June 30, 2014 consisted of equipment. Capital assets are used to provide services to students and are not available for future spending.

**Liabilities**

Total liabilities decreased \$39,401 from June 30, 2013. The District made \$24,000 in payments towards a termination agreement with eSchool Consultants, LLC resulting from the termination of the School's management agreement effective June 30, 2011. This lowered outstanding liabilities by \$24,000.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

The table below shows the changes in net position for the fiscal year 2014 and fiscal year 2013.

**Change in Net Position**

	<u>2014</u>	<u>2013</u>
<b><u>Operating Revenues:</u></b>		
State foundation	\$ 1,987,244	\$ 1,427,400
Other revenues	3,069	-
Total operating revenues	<u>1,990,313</u>	<u>1,427,400</u>
<b><u>Operating Expenses:</u></b>		
Salaries and wages	879,990	924,829
Fringe benefits	388,032	238,021
Purchased services	1,003,666	896,530
Materials and supplies	67,732	62,160
Other operating expenses	36,131	24,348
Depreciation	<u>2,571</u>	<u>1,549</u>
Total operating expenses	<u>2,378,122</u>	<u>2,147,437</u>
Operating loss	(387,809)	(720,037)
<b><u>Non-operating revenues:</u></b>		
Federal and state grants and entitlements	555,520	522,063
Other non-operating revenues	-	<u>1,059</u>
Total non-operating revenues	<u>555,520</u>	<u>523,122</u>
Change in net position	167,711	(196,915)
Net position (deficit) at beginning of year	<u>(70,984)</u>	<u>125,931</u>
Net position (deficit) at end of year	<u>\$ 96,727</u>	<u>\$ (70,984)</u>

The revenue generated by a community school is almost entirely dependent on per-pupil allotment given by the state foundation and from federal entitlement programs. Aid through the state foundation increased 39.22% from fiscal year 2013, while federal and state grants and entitlements increased 6.41%. The increase in foundation revenue is a result of an increase in student enrollment. Expenses increased \$230,685 or 10.74%, with the increase primarily in the purchased services expenses.

**Capital Assets**

At June 30, 2014, the School had \$23,966, net of accumulated depreciation, invested in capital assets. During fiscal year 2014, the School acquired equipment at a cost of \$9,500 and recognized \$2,571 in depreciation expense. Refer to Note 10 in the notes to the basic financial statements for more detail on the School's capital assets.

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

	<u>2014</u>	<u>2013</u>
Equipment	<u>\$ 23,966</u>	<u>\$ 17,037</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**Debt Administration**

Effective June 30, 2011, the School ended its management agreement with eSchool Consultants, LLC. As part of the termination of this agreement, the School agreed to pay termination fees totaling \$40,008 to eSchool Consultants, LLC. Of this balance \$6,674 is outstanding at June 30, 2014 and due within one year. See Note 9 to the basic financial statements for detail on long-term obligations.

**Current Financial Related Activities**

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

**Contacting the School's Financial Management**

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

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET POSITION  
JUNE 30, 2014

<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents . . . . .	\$ 159,869
Receivables:	
Intergovernmental. . . . .	87,919
Prepayments . . . . .	<u>1,214</u>
Total current assets . . . . .	<u>249,002</u>
Non-current assets:	
Depreciable capital assets, net . . . . .	<u>23,966</u>
Total non-current assets. . . . .	<u>23,966</u>
Total assets. . . . .	<u>272,968</u>
 <b>Liabilities:</b>	
Current liabilities:	
Accounts payable. . . . .	15,660
Accrued wages and benefits . . . . .	103,832
Pension obligation payable. . . . .	23,187
Intergovernmental payable . . . . .	26,888
Long-term liabilities, due within one year. . . . .	<u>6,674</u>
Total liabilities . . . . .	<u>176,241</u>
 <b>Net position:</b>	
Investment in capital assets. . . . .	23,966
Unrestricted. . . . .	<u>72,761</u>
Total net position. . . . .	<u>\$ 96,727</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Operating revenues:</b>	
Foundation basic aid. . . . .	\$ 1,987,244
Other . . . . .	3,069
Total operating revenues . . . . .	<u>1,990,313</u>
<b>Operating expenses:</b>	
Salaries and wages. . . . .	879,990
Fringe benefits. . . . .	388,032
Purchased services. . . . .	1,003,666
Materials and supplies . . . . .	67,732
Depreciation . . . . .	2,571
Other. . . . .	36,131
Total operating expenses. . . . .	<u>2,378,122</u>
Operating loss. . . . .	<u>(387,809)</u>
<b>Non-operating revenues:</b>	
Federal and State operating grants. . . . .	555,520
Total non-operating revenues. . . . .	<u>555,520</u>
Change in net position . . . . .	167,711
<b>Net position (deficit) at beginning of year. . . . .</b>	<u>(70,984)</u>
<b>Net position at end of year . . . . .</b>	<u><u>\$ 96,727</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Cash flows from operating activities:</b>	
Cash received from State foundation . . . . .	\$ 1,941,917
Cash received from other operations . . . . .	3,069
Cash payments for salaries and wages. . . . .	(898,549)
Cash payments for fringe benefits . . . . .	(375,889)
Cash payments for contractual services . . . . .	(1,000,016)
Cash payments for materials and supplies . . . . .	(67,664)
Cash payments for other expenses . . . . .	(33,540)
	<hr/>
Net cash used in operating activities. . . . .	(430,672)
<b>Cash flows from noncapital financing activities:</b>	
Federal and State operating grants. . . . .	534,787
Principal payments on termination agreement . . . . .	(24,000)
	<hr/>
Net cash provided by noncapital financing activities. . . . .	510,787
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	(9,500)
	<hr/>
Net cash used in capital and related financing activities. . . . .	(9,500)
	<hr/>
Net increase in cash and cash equivalents. . . . .	70,615
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<b>89,254</b>
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>\$ 159,869</b>
	<hr/> <hr/>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss. . . . .	\$ (387,809)
Adjustments:	
Depreciation . . . . .	2,571
Changes in assets and liabilities:	
Increase in intergovernmental receivable. . . . .	(28,819)
Increase in prepayments . . . . .	(1,214)
Decrease in accounts payable. . . . .	(12,480)
Decrease in accrued wages and benefits. . . . .	(21,839)
Increase in intergovernmental payable. . . . .	17,333
Increase in pension obligation payable. . . . .	1,585
	<hr/>
Net cash used in operating activities. . . . .	\$ (430,672)
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1 - DESCRIPTION OF THE SCHOOL**

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

The School was approved for operation under contract with the Ohio State Board of Education for a period of five years from May 16, 2000 through June 30, 2005. The Buckeye Community Hope Foundation sponsored the School from June 2005 through June 2012. The North Central Ohio Educational Service Center became the sponsor effective July 1, 2012 through June 30, 2015. The School operates under a self-appointing five member Board of Directors (“the Board”). The School’s Code of Regulations specifies that vacancies that arise on the Board will be filled by the appointment of a successor director by a majority vote of the then existing directors. The Board is responsible for carrying out the provisions of the contract with the sponsor which includes, but is not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The School has one instructional/support facility. The facility is staffed with teaching personnel who provide services to approximately 251 students.

The Ellendale Group, a state nonprofit organization established pursuant to Ohio Rev. Code Chapter 1702, was originally formed in September 2001 to provide a fostering structure for the provision, development and management of one or more community schools in Franklin County, Ohio, and for any and all lawful purposes for which a corporation may be formed under Chapter 1702 of the Revised Code. The Ellendale Group intended to govern approved contracts for community schools with the following names: the Life Skills Center of Columbus, the Life Skills Center of Southwestern Ohio and the Life Skills Center of Montgomery County (name to be changed once location of school was determined).

Pursuant to the instruction and requirement of the Ohio Department of Education with respect to the three (3) Life Skills Centers in the Columbus area, and the assignments of each community school contract, a separate nonprofit entity had to be formed to govern each School. As a result, the Ellendale Group amended its articles of incorporation in June 2002 in order to change the name of the nonprofit to the Life Skills Center of Southeastern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Columbus. A nonprofit was formed May 2002 in the name of the Life Skills Center of Northern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Montgomery County. Also formed in May 2002 was the nonprofit entity the Life Skills Center of Southwestern Columbus. This entity was assigned the community school contract which was originally under the name of the Life Skills Center of Southwestern Ohio.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

**A. Basis of Presentation**

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

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

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a "flow of economic resources" measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows reflects how the School finances and meets its cash flow needs.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accrual basis of accounting is utilized for reporting purposes. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the School received value without directly giving equal value in return, such as grants, entitlements, and donations are recognized in the period in which all eligibility requirements have been satisfied. Expenses are recognized at the time they are incurred.

**C. Budgetary Process**

Unlike traditional public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Section 5705, unless specifically provided in the School's contract with its Sponsor. The contract between the School and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Rev. Code Section 5705.

**D. Cash and Cash Equivalents**

All cash received by the School is maintained in demand deposit accounts. The School did not have any investments during fiscal year 2014.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

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

**E. Capital Assets and Depreciation**

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

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

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

**F. Intergovernmental Revenues**

The School currently participates in the State Foundation Program, which includes Economic Disadvantaged Funding and Limited English Proficiency Funding, which are reflected under "state foundation" on the statement of revenues, expenses and changes in net position. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and contributions. Grants, entitlements, and contributions are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

Eligibility requirements, include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. Amounts awarded under the above programs for the 2014 school year totaled \$2,542,764.

**G. Operating Revenues and Expenses**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**H. Net Position**

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

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

**I. Use of Estimates**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**Change in Accounting Principle**

For fiscal year 2014, the School has implemented GASB Statement No. 70, “Accounting and Financial Reporting for Nonexchange Financial Guarantees”.

GASB Statement No. 70 improves the recognition, measurement, and disclosures for state and local governments that have extended or received financial guarantees that are nonexchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School.

**NOTE 4 - DEPOSITS**

The School maintains deposits at one financial institution located in Ohio. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, per qualifying account. At June 30, 2014, the carrying amount of all School deposits was \$159,869. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2014, the School’s entire bank balance of \$193,053 covered by the FDIC.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 4 - DEPOSITS - (Continued)**

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of bank failure, the School's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School. The School has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee. At June 30, 2014, none of the School's bank balance was exposed to custodial credit risk.

**NOTE 5 - RISK MANAGEMENT**

**Property and Liability** - The School is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims have not exceeded this coverage in any of the past three years, nor has there been a significant reduction in insurance coverage from the prior year. Below are the various coverages for the School:

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

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

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

**NOTE 6 - RECEIVABLES**

At June 30, 2014, the School had intergovernmental receivables in the amount of \$87,919. Intergovernmental receivables consist of refunds and federal assistance for which eligibility requirements have been met by June 30, 2014 and cash was not received by year end.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 7 - PAYABLES**

Intergovernmental payables of \$26,888 consist of payroll liabilities due and unpaid to various taxing authorities at fiscal year-end and amounts due to other governments for services provided to the School. Accounts payable consists of obligations totaling \$15,660 at June 30, 2014, incurred during the normal course of conducting operations. Amounts due to be paid to the School Employees Retirement System and State Teachers Retirement System of Ohio are classified as “pension obligation payable” and amounted to \$23,187 as of June 30, 2014.

**NOTE 8 - ACCRUED WAGES AND BENEFITS**

Accrued wages and benefits were \$103,832 at June 30, 2014 which represents wages and employee benefits earned and not paid at June 30, 2014 for school employees who earned wages prior to fiscal year-end and certain School teachers paid over a 12 month period.

**NOTE 9 - LONG-TERM OBLIGATIONS**

The following is a summary of long-term liabilities for fiscal year 2014:

	Balance 6/30/13	Increases	Decreases	Balance 6/30/14	Amount Due in One Year
Termination agreement	\$ 30,674	\$ -	\$ (24,000)	\$ 6,674	\$ 6,674

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

Outstanding termination fees amounted to \$6,674 at June 30, 2014 and have been reported as long-term liabilities, due within one year on the statement of net position. Payments through the agreement are payable through October 10, 2014 according to the following schedule:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Deductions	Balance 06/30/14
Capital assets, being depreciated:				
Equipment	\$ 18,586	\$ 9,500	\$ -	\$ 28,086
Total capital assets being depreciated	<u>18,586</u>	<u>9,500</u>	<u>-</u>	<u>28,086</u>
Less: accumulated depreciation				
Equipment	(1,549)	(2,571)	-	(4,120)
Total accumulated depreciation	<u>(1,549)</u>	<u>(2,571)</u>	<u>-</u>	<u>(4,120)</u>
Capital assets, net	<u>\$ 17,037</u>	<u>\$ 6,929</u>	<u>\$ -</u>	<u>\$ 23,966</u>

**NOTE 11 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 14 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$32,601, \$32,097 and \$36,587, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

**B. State Teachers Retirement System of Ohio**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 11 - PENSION PLANS - (Continued)**

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were \$67,696, \$85,133 and \$59,159, respectively; 89.30 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$18,587 made by the School and \$14,604 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2014 certain members of the Governing Board have elected Social Security. The School's liability is 6.2 percent of wages paid.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The School participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, 0.14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

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

The School's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013 and 2012 were \$1,599, \$5,005 and \$20,192, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,891, \$1,813 and \$765, respectively; 100 percent has been contributed for fiscal years 2014, 2013 and 2012.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$5,207, \$6,549 and \$4,551, respectively; 89.30 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

**NOTE 13 - CONTINGENCIES**

**A. Grants**

The School receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School.

**B. State Foundation Funding**

The Ohio Department of Education conducts reviews on enrollment data and full-time equivalency (FTE) calculations made by community schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the state, upon which state foundation funding is calculated. The School is due \$45,327 for the fiscal year ended June 30, 2014, as a result of the enrollment review. This amount is recorded as "intergovernmental receivable" on the statement of net position.

**C. Litigation**

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

**NOTE 14 - TAX EXEMPT STATUS**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 15 - SPONSORSHIP FEES**

The School contracts with the North Central Ohio Educational Service Center (“NCOESC”) for sponsorship beginning July 1, 2012. The current contract expires on June 30, 2015. NCOESC is to provide oversight, monitoring, and technical assistance for the School. The sponsorship fee is calculated as three percent of annual school foundation revenue and amounted to \$61,536 paid to NCOESC during fiscal year 2014.

**NOTE 16 - PURCHASED SERVICES**

For the period July 1, 2013 through June 30, 2014, purchased service expenses were for the following services:

Professional and technical services	\$ 197,284
Property services	242,267
Travel and meetings	1,000
Communications	11,947
Utilities	55,197
Contracted trade	171,110
Transportation	<u>324,861</u>
Total	<u>\$ 1,003,666</u>

January 26, 2015

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Focus Learning Academy of Northern Columbus, Franklin County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated January 26, 2015.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Hea & Associates, Inc.*

Medina, Ohio

January 26, 2015

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133**

**Report on Compliance for Each Major Federal Program**

We have audited the Focus Learning Academy of Northern Columbus, Franklin County, Ohio (the School) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2014. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Hea & Associates, Inc.*

Medina, Ohio

**FOCUS LEARNING ACADEMY NORTHERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA #	Grant Year	Revenues	Expenses
<b>U. S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I	84.010	2014	\$ 153,547	\$ 153,547
21st Century Grant Program	84.287	2014	100,000	100,000
Title III - English Language Acquisition	84.365	2014	29,996	29,996
Title II-A - Improving Teacher Quality	84.367	2014	1,929	1,929
ARRA - Race to the Top	84.395	2014	41,307	41,307
<i>Total U.S. Department of Education</i>			326,779	326,779
<b>U. S. Department of Agriculture</b>				
<i>Passed Through the Ohio Department of Education:</i>				
Fresh Fruit & Vegetable Program	10.582	2014	11,252	11,252
<i>Child Nutrition Cluster:</i>				
<i>Cash Assistance:</i>				
School Breakfast Program	10.553	2014	65,608	65,608
National School Lunch Program	10.555	2014	131,594	131,594
<i>Total Child Nutrition Cluster</i>			197,202	197,202
<i>Total U.S. Department of Agriculture</i>			208,454	208,454
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			\$ 535,233	\$ 535,233

The accompanying notes are an integral part of this schedule.

**FOCUS LEARNING ACADEMY NORTHERN COLUMBUS  
FRANKLIN COUNTY, OHIO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards summarizes activity of the School's federal awards programs. This schedule has been prepared using the accrual basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. Food Distribution Program nonmonetary assistance is reported in the schedule of expenditures of federal awards at the entitlement value of the commodities received and disbursed. At June 30, 2014, the School had no significant food commodities inventory.

**NOTE C - TRANSFERS**

The School generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a School can transfer (carryover) unspent Federal assistance to the succeeding year, thus allowing the School a total of 27 months to spend the assistance. During fiscal year 2014, ODE authorized the following transfers:

		Transfer To	Transfer From
84.010 Title I Grants	2014	\$ 4,451	
84.010 Title I Grants	2013		\$ 4,451
84.367 Improving Teacher Quality	2014	480	
84.367 Improving Teacher Quality	2013		480
84.365 Title III English Language Acquisition	2014	93	
84.365 Title III English Language Acquisition	2013		93
84.027 Special Education IDEA Part B	2014	42,008	
84.027 Special Education IDEA Part B	2013		42,008
84.395 ARRA - Race to the Top	2014	2,010	
84.395 ARRA - Race to the Top	2013		2,010

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , SECTION .505  
FOR THE YEAR ENDED JUNE 30, 2014**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I 21st Century Grant Race to the Top - ARRA	CFDA # 84.010 84.287 84.395
(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 were noted.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None were noted.



# Dave Yost • Auditor of State

**FOCUS 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  
MAY 7, 2015**