FCI ACADEMY
FRANKLIN COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2014
Fiscal Year Audited Under GAGAS: 2014

Dave Yost • Auditor of State

Board of Education
FCI Academy
2177 Mock Road
Columbus, Ohio 43219

We have reviewed the *Independent Auditor's Report* of the FCI Academy, Franklin County, prepared by Balestra, Harr & Scherer, CPAs, 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 FCI Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

April 17, 2015

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FCI ACADEMY
YEAR ENDED JUNE 30, 2014

TABLE OF CONTENTS

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Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Independent Auditor's Report

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

To the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of FCI Academy, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine on the effectiveness of the School's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

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

Emphasis of Matter

The accompanying financial statements have been prepared assuming that the Academy will continue as a going concern. As discussed in Note 14 to the financial statements, the Academy has suffered recurring losses from operations and has a net position deficiency of $481,120 that raises substantial doubt about its ability to continue as a going concern. Note 14 describes management's plan regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the School's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2015, on our consideration of the School'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
February 13, 2015

The discussion and analysis of FCI Academy (the Academy)'s financial performance provides an overall view of the Academy's financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy'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 Academy's financial performance.

Financial Highlights

- Total assets were $135,097.
- Total liabilities were $616,217.
- Change in net position was a decrease of $267,992.

Using this Annual Financial Report

This report consists of three parts, the Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to those statements. The basic financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position answers the question, "How did we do financially during fiscal year 2014?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is 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.

Table 1 provides a summary of the Academy's net position for fiscal years 2014 and 2013.

Table 1
Net Position

	2014	2013	Change
Assets			
Current Assets	$ 135,097	$ 95,885	$ 39,212
Total Assets	135,097	95,885	39,212
Liabilities			
Current liabilities	616,217	309,013	307,204
Total Liabilities	616,217	309,013	307,204

Net Position			
Unrestricted (Deficit)	(481,120)	(213,128)	(267,992)
Total Net Position (Deficit)	$(481,120)	$(213,128)	$(267,992)

Total assets increased $39,212 largely, as a result of an increase in intergovernmental receivable.

Current liabilities increased $307,204, largely as a result of an increase in accounts payable.

Table 2 shows the change in net position for the fiscal year ended June 30, 2014 compared to fiscal year 2013.

Table 2
Change in Net Position

	2014	2013	Change
Operating Revenues			
State Foundation	$2,604,500	$2,968,000	$(363,500)
Casino	22,426	-	22,426
Food Sales	28,953	15,403	13,550
Extracurricular Activities	2,671	12,041	(9,370)
Non-Operating Revenues			
Federal and State Grants	732,312	801,549	(69,237)
Miscellaneous	5,326	5,934	(608)
Total Revenues	3,396,188	3,802,927	(406,739)
Operating Expenses			
Salaries	1,897,699	1,873,602	24,097
Fringe Benefits	469,942	509,377	(39,435)
Purchased Services	196,148	184,708	11,440
Rent	783,784	839,021	(55,237)
Materials & Supplies	285,229	241,748	43,481
Capital Outlay	24,466	1,916	22,550
Miscellaneous	6,912	47,611	(40,699)
Total Expenses	3,664,180	3,697,983	(33,803)
Change in Net Position	(267,992)	104,944	(372,936)
Net Position (Deficit) at Beginning of Year	(213,128)	(318,072)	104,944
Net Position (Deficit) at End of Year	$ (481,120)	$ (213,128)	$(267,992)

Total State Foundation revenue decreased by $363,500 and state/federal grants revenues decreased by $69,237 due to decrease in enrollment of students. The Academy's decreased revenues did not allow management to pay its current obligations. As such, total expenses decreased slightly by $33,803 and accounts payable increased $334,060.

Debt

The Academy did not have any outstanding debt at June 30, 2014. The Academy paid off their loan obligations in full. For more information on debt, see note 6 to the basic financial statements.

Capital Assets

At June 30, 2014, the Academy's capital assets were fully depreciated. The Academy had $0 (net of $197,088 accumulated depreciation) shown as capital assets. For more information on capital assets, see note 4 to the basic financial statements.

Current Financial Issues

The Academy is sponsored by the Educational Service Center of Lake Erie West (formerly known as Lucas County Educational Service Center). The Academy is reliant upon State Foundation monies, State, and Federal Grants to offer quality educational services to students. In order to continually provide learning opportunities to the Academy's students, the Academy will apply resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations

Contacting the Academy's Financial Management

This financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information, contact Nick Dill, Business Manager, 2177 Mock Road, Columbus, Ohio, or by email at ndill@miracit.org.

FCI ACADEMY
FRANKLIN COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2014

ASSETS	
Current Assets	
Cash	$ 24,993
Intergovermental Receivable	62,746
Accounts Receivable	47,358
Total Current Assets	135,097
Total Assets	$ 135,097
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 392,974
Accrued Wages	190,641
Intergovernmental Payable	27,521
Cash Overdraft	5,081
Total Current Liabilities	616,217
Total Liabilities	616,217
NET POSITION	
Unrestricted Deficit	(481,120)
Total Net Position	$ (481,120)

See the accompanying notes to the financial statements.

FCI ACADEMY
FRANKLIN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

OPERATING REVENUES	
State Foundation	$2,604,500
Casino	22,426
Sales	28,953
Extracurricular Activities	2,671
TOTAL OPERATING REVENUES	2,658,550
OPERATING EXPENSES	
Salaries	1,897,699
Fringe Benefits	469,942
Purchased Services	196,148
Rent	783,784
Materials & Supplies	309,695
Miscellaneous	6,912
TOTAL OPERATING EXPENSES	3,664,180
OPERATING LOSS	(1,005,630)
NON-OPERATING REVENUES	
Federal and State Grants	732,312
Miscellaneous	5,326
TOTAL NON-OPERATING REVENUES	737,638
Change in Net Position	(267,992)
Net Position (Deficit) at Beginning of Year	(213,128)
Net Position (Deficit) at End of Year	$ (481,120)

See the accompanying notes to the financial statements.

FCI ACADEMY
FRANKLIN COUNTY
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Cash Flows from Operating Activities	
Cash Received from the State of Ohio	$ 2,627,547
Cash Received from Other Operating Sources	34,257
Cash Payments to Suppliers for Goods and Services	(962,479)
Cash Payments to Employees for Services	(1,934,548)
Cash Payments for Employee Benefits	(507,259)
Net Cash Used for Operating Activities	(742,482)
Cash Flows from Noncapital Financing Activities	
Cash Payments for Cash Overdraft	(48)
Cash Received from Refunds	7,150
Cash Received from Federal and State Grants	726,470
Cash Received from Other Non-Operating Sources	5,326
Cash Proceeds from Notes	31,000
Cash Payments for Principal	(31,000)
Net Cash Provided by Noncapital Financing Activities	738,898
Net Decrease in Cash	(3,584)
Cash at Beginning of Year	28,577
Cash at End of Year	$ 24,993
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	$ (1,005,630)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Decrease in Accounts Receivable	2,633
Increase in Intergovernmental Receivable Related to State Foundation	(46,737)
Increase in Accounts Payable	334,060
Decrease in Accrued Wages	(36,849)
Increase in Intergovernmental Payable	10,041
Total Adjustments	263,148
Net Cash Used for Operating Activities	$ (742,482)

See the accompanying notes to the financial statements.

1. Description of the Reporting Entity

FCI Academy (the Academy) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an orderly and supportive environment whereby students experience preparations for college, career, and life. The Academy operates on a foundation which fosters character-building for all students, parents, and staff members. The Academy, which is part of the State's education program, is independent of any school district, and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Lucas County Educational Service Center (the Sponsor) for a period of five years commencing September 20, 2004. On June 9, 2007, the Board and the Sponsor approved an extension of this contract through May 30, 2011. On July 1, 2011, the Board and the Sponsor renewed their contract again through June 30, 2016. During 2012, The Sponsor changed its name from Lucas County Educational Center to Educational Service Center of Lake Erie West.

The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy operates under the direction of a seven-member Governing Board. The Governing Board is responsible for carrying out the provisions of the contract, which include but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Governing Board controls the Academy's five instructional/support facilities staffed by 31 non-certificated and 35 certificated full-time teaching personnel who provide services to 383 students.

2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

The Academy's basic financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses, and Change in Net Position, and a Statement of Cash Flows. The Academy uses enterprise accounting to maintain its financial records during the fiscal year. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

2. Summary of Significant Accounting Policies (continued)

B. 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 Position. The Statement of Revenues, Expenses, and Change in Net Position presents increases and decreases in total net position. The Statement of Cash Flows provides information about how the Academy finances and meets its cash flow needs.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. Revenues resulting from non-exchange transactions, in which the Academy receives value without directly giving equal value in return, such as grants and entitlements, are recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on reimbursement basis. Expenses are recognized at the time they are incurred.

D. 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 Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

E. Cash

All monies received by the Academy are accounted for by the Academy's Treasurer. All cash received by the Academy is maintained in separate bank accounts in the Academy's name. For the purposes of the Statement of Cash Flows and for presentation on the Statement of Net Position, investments with original maturities of three months or less at the time they are purchased by the Academy are considered cash equivalents.

2. Summary of Significant Accounting Policies (continued)

F. Accounts Receivable

Accounts receivable are shown at their net realizable value and are reported at the amount that the Academy expects to collect on balances outstanding at year-end. Uncollectible accounts are charged to operations during the period in which they are determined to be uncollectible. The Academy considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Basic Aid Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met. Amounts received under the above program for the 2014 fiscal year totaled $2,604,500.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are 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 Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. Amounts recorded under the above program for the 2014 fiscal year totaled $732,312.

H. Capital Assets

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 values as of the date received. The Academy maintains a capitalization threshold of $1,500.

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

Leasehold improvements	5-15 years
Equipment	5 years

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2014 are reported as accrued liabilities in the accompanying financial statements. Accrued liabilities totaled $616,217 at June 30, 2014.

2. Summary of Significant Accounting Policies (continued)

J. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments from the State. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

K. Compensated Absences

After three months of service, employees begin to accumulate personal/sick time at the rate of 4 hours for each pay period of continuous service. Employees accumulate no more than eighty hours of personal/sick leave time during any calendar year. Not all personal/sick time that has accumulated during an employee's contract period can be carried forward past the end of the contract period.

In the event an employee has unused accumulated personal/sick leave upon termination of his or her employment with the Academy, the employee forfeits 70% of the unused personal/sick leave balance and is paid 30% of the unused accumulated personal/sick leave based upon the current rate of pay subject to all applicable payroll deductions.

Historically, the Academy does not record a liability for compensated absences.

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

M. Economic Dependency

The Academy receives nearly 100% of its operating revenue from the Ohio Department of Education. Due to the significance of this revenue source, the Academy is considered to be economically dependent on the Ohio Department of Education.

N. Deferred Outflow/Deferred Inflows of Resources

In addition to assets, the Statement of Net Position may report a separate category for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2014, the Academy reported no deferred outflows of resources.

2. Summary of Significant Accounting Policies (continued)

In addition to liabilities, the Statement of Net Position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. At June 30, 2014, the Academy had no items which were classified as deferred inflows of resources.

O. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding capital-related debt. Net position is 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 Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The Academy did not have any restricted net position at fiscal year-end.

3. Deposits

At fiscal year ended June 30, 2014, the carrying amounts of the Academy's deposits were $24,993 and cash overdraft of $5,081. The bank balances were $27,445. Based on the criteria described in GASB Statement No. 40 "Deposits and Investment Risk Disclosure," as of June 30, 2014, all of the Academy's bank balance was covered by the Federal Depository Insurance Corporation (FDIC). Custodial credit risk for deposits is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository 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 Academy.

The Academy has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Academy or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105% of the deposits being secured.

4. Capital Assets

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

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
Capital Assets:				
Equipment	$ 149,401	$ -	$ -	$ 149,401
Leasehold Improvements	47,687	-		47,687
Total Capital Assets	197,088	-	-	197,088
Less Accumulated Depreciation:				
Equipment	(149,401)	-	-	(149,401)
Leasehold Improvements	(47,687)	-	-	(47,687)
Total Accumulated Depreciation	(197,088)	-	-	(197,088)
Capital Assets, Net	$ -	$ -	$ -	$ -

5. Operating Leases

The Academy has an operating lease for the period of July 1, 2011 through June 30, 2016 with Living Faith Apostolic Church to lease a school facility. The base rental of the lease is zero dollars. However, minimum monthly payments are required of $34,325 as a pro rata share of the annual operating costs and overhead of the building based on amendments to the original lease agreement. Payments in the amount of $335,676 were made during fiscal year 2014. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities.

The Academy had an operating lease for the period of July 1, 2011 through October 31, 2011 with MiraCit Development Corporation to lease school facilities. The base rental of the leases is zero dollars. However, monthly payments are required of $22,716 as a pro rata share of the annual operating costs and overhead of the building. On November 1, 2011, the lease was modified making the Academy responsible for all costs associated with the property, including but not limited to: all utilities (water and sewer, gas, electric, cable, internet, and telephone services), mortgage payments to Huntington Bank, property taxes, and property insurance. This modified lease is effective from November 1, 2011 to June 30, 2016. Payments in the amount of $0 and $121,443 were made during fiscal year 2014 to MiraCit and Huntington, respectively. The annual amount is to be re-determined after each 12-month period based upon the operating cost of the facilities.

The remaining rent-related charges to various vendors during fiscal year 2014 were $326,665.

6. Debt

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

	Balance 6/30/2013	Issued	Redeemed	Balance 6/30/2014	Due Within One Year
LFAC 0.0% Issued 7/15/13 Maturity 7/30/13	$ -	$ 10,000	$ (10,000)	$ -	$ -
LFAC 0.0% Issued 3/5/14 Maturity 4/5/14	-	15,000	(15,000)	-	-
LFAC 0.0% Issued 4/4/14 Maturity 12/31/14	-	6,000	(6,000)	-	-
Total	$ -	$ 31,000	$ (31,000)	$ -	$ -

7. Risk Management

A. Insurance Coverage

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. For fiscal year 2014, the Academy contracted with Guide One Mutual Insurance Company for the following insurance coverage:

General Liability: Each Occurrence $1,000,000 Aggregate $3,000,000.

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded the commercial coverage in any of the past three years.

B. Workers' Compensation

The Academy pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly gross payroll by a factor that is calculated by the State.

8. Defined Benefit Pension Plans

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per 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 can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy
Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10%. The remaining .90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were $77,294, $94,417, and $83,790 respectively; 100% has been contributed for each fiscal year.

B. State Teachers Retirement System of Ohio

The School 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 comprehensive annual financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling toll-free 1-888-227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on 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% of earned compensation into an investment account. Investment decisions are made by the member.

8. Defined Benefit Pension Plans (continued)

A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal.

The Combined Plan offers features of both the 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 ended June 30, 2014, plan members were required to contribute 10% of their annual covered salaries. The School was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012 were $175,301, $150,776, and $152,673, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

9. Postemployment Benefits

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan
The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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. SERS' reimbursement to retirees was $45.50.

9. Postemployment Benefits (continued)

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation is .76%. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were $4,484, $5,334, and $4,948, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily-required benefits, the Retirement Board allocates the remainder of the employer's 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is .14%. 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at $20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate, is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2014, 2013, and 2012 were $11,906, $11,120, and $14,304, respectively; 100% has been contributed for fiscal years 2014, 2013, and 2012.

The SERS 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 benefits. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

9. Postemployment Benefits (continued)

B. State Teachers Retirement System of Ohio

The School participates in 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. Ohio law authorizes STRS Ohio to offer this plan. 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 can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy
Ohio Revised Code Chapter 3307 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 Health Care Plan. All benefit recipients, for the most recent year, 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% of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were $13,484, $11,598, and $11,744, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

10. Purchased Services

For the fiscal year June 30, 2014, purchased service expenses were payments for services rendered by various vendors, and were as follows:

Professional & Technical Services	$ 168,921
Communications	24,877
Pupil Transportation	690
Miscellaneous	1,660
	$ 196,148

11. Sponsor Agreement

The Academy entered into a five-year sponsorship agreement with the Educational Service County Lake Erie West (ESCLEW), formerly known as Lucas County Educational Service Center (LCESC) on July 1, 2011 through June 30, 2016, whereby terms of the sponsorship were established. That agreement requires the Academy to pay the sponsor 2.0% of the per-pupil allotment paid to the Academy by the State of Ohio. A total of $51,473 in sponsorship fees was paid by the Academy to ESCLEW during fiscal year 2014. Sponsorship fees are recorded as purchased services on the Statement of Revenues, Expenses, and Change in Net Position.

12. Related Party Transactions

The Academy operated within the Living Faith Apostolic Church (LFAC). Certain personnel of MiraCit Development Corporation, a non-profit community development organization established by LFAC, also serve as management of the Academy.

During fiscal year 2014, the Academy reimbursed LFAC $2,662 for the Academy's portion of operating costs and made $335,676 in operating lease payments as disclosed in Note 5. In addition, the Academy entered into a short-term note agreement to cover payroll costs. The Academy received and repaid LFAC $31,000 in full as disclosed in Note 6.

During fiscal year 2014, the Academy paid MiraCit Development Corporation $0 in operating lease as disclosed in Note 5.

13. Contingencies

A. Grants

The Academy 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, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. As a result of the review, the Ohio Department of Education overpaid the Academy $3,735, which is recorded as Accounts Payable.

14. Management Plan Regarding Accumulated Deficit

The Academy's recent cash flow challenges have been due primarily to untimely and inconsistent levels of monthly foundation payments and a decrease in enrollment.

As a result, management has implemented the following plan to ensure the Academy's long-term financial viability:

- Continued assessment of staffing needs with potential reductions;
- Continued reduction in costs by eliminating non-essential discretionary expenditures and through vendor negotiations to achieve better rates;
- Applying for E-rate approval to reduce communications costs;

14. Management Plan Regarding Accumulated Deficit (Continued)

- Seeking other private funding sources to supplement the operating budget;
- Seeking other federal grants through the CCIP and ODE to support academic activities;
- Utilizing short term notes to fund cash flow.

Management will re-evaluate the Academy's financial position on a bi-monthly basis and report to the governing board to determine the effectiveness of these strategies. The Academy has passed a balanced budget for fiscal year 2014.

15. Subsequent Events

Generally accepted accounting principles define subsequent events as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. The Academy has evaluated subsequent events through the date of the report.

16. Change in Accounting Principles

For fiscal year 2014, the Academy 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 non-exchange transactions. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the Academy.

FCI Academy
Franklin County
Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
United States Department of Agriculture				
Passed through Ohio Department of Education				
Child Nutrition Cluster:				
National School Lunch Program	3L60	10.555	$ 142,513	$ 142,513
School Breakfast Program	3L70	10.553	54,960	54,960
Total Nutrition Cluster			197,473	197,473
Total United States Department of Agriculture			197,473	197,473
United States Department of Education				
Passed through Ohio Department of Education				
Title I, Part A Cluster:				
Title I Grants to Local Educational Agencies	3M00	84.010	406,664	373,178
Total Title I, Part A Cluster			406,664	373,178
Special Education Cluster (IDEA):				
Special Education - Grants to States	3M20	84.027	69,724	136,788
Total Special Education Cluster			69,724	136,788
State Fiscal Stabilization Fund (SFSF) Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	47,006	38,316
Total United States Department of Education			523,394	548,282
Total Federal Financial Assistance			$ 720,867	$ 745,755

See accompanying notes to the schedule of federal awards receipts and expenditures.

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) summarizes activity of the Academy's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

To the Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the FCI Academy, 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 February 13, 2015, wherein we noted that there is a going concern.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the School's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the School's financial statements. 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the School'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, opining 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.*

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
February 13, 2015

Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

FCI Academy
Franklin County
2177 Mock Road
Columbus, Ohio 43219

To the Board:

Report on Compliance for the Major Federal Program

We have audited FCI Academy's (the School) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect FCI Academy's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School's major federal program.

Management's Responsibility

The School's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the School's compliance for the School's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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 us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect 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 our audit provides a reasonable basis for our compliance opinion on the School's major program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on the Major Federal Program

In our opinion, FCI Academy complied, in all material respects, with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The School's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the School's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Piketon, Ohio
February 13, 2015

FCI Academy
Franklin County

Schedule of Findings
OMB Circular A-133 Section §.505
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 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 Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Title I, Part A Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > $300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Schedule of Findings
OMB Circular A-133 Section §.505
June 30, 2014

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

None noted

3. FINDINGS FOR FEDERAL AWARDS

None noted

Dave Yost • Auditor of State

FCI ACADEMY

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

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