



Dave Yost • Auditor of State



**ALLIANCE ACADEMY OF CINCINNATI  
HAMILTON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Alliance Academy of Cincinnati  
Hamilton County  
1712 Duck Creek Road  
Cincinnati, Ohio 45207

To the Board of Directors:

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

We have audited the accompanying financial statements of Alliance Academy of Cincinnati, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy'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 did not audit the contracted service fee which represents 99% of the Academy's expenses. Those expenses were examined in an Agreed Upon Procedures engagement by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Academy, is based solely on the report of other auditors. 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. The other auditors examined the contracted service fee in accordance with the attestation standards established by the American Institute of Certified Public Accountants and not in accordance with *Government Auditing Standards*.

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 Academy'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 Academy'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 opinions.

***Opinion***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance Academy of Cincinnati, Hamilton County, Ohio, as of June 30, 2014, and the changes in financial position and cash flows, thereof for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 Academy's basic financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures 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 and the other auditors subjected the schedule to the auditing procedures we applied to the basic financial statements and the procedures described in the Agreed Upon Procedures report provided by the other auditors. We and the other auditors 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 March 10, 2015 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 Academy's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 10, 2015

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# **ALLIANCE ACADEMY OF CINCINNATI**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEAR ENDED JUNE 30, 2014**

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The discussion and analysis of Alliance Academy of Cincinnati's (the "Academy") financial performance provides an overall review of the Academy's financial activities through June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. It should be read in conjunction with the financial statements and notes to the financial statements, which immediately follow this section, to enhance understanding of the Academy's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Financial Statements — and Management's Discussion and Analysis — for State and Local Government*, issued June, 1999.

### **Financial Highlights**

For the fiscal year ended June 30, 2014, total assets were \$200,026, total liabilities were \$177,498, and total net position was \$22,528.

### **Using this Financial Report**

This report consists of the MD&A, the financial statements, and notes to those statements. The financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

### **Reporting the Academy as a Whole**

One of the most important questions asked about the Academy is, "As a whole, what is the Academy's financial condition as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position, which appear first in the Academy's financial statements, report information on the Academy as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the Academy's net position — the difference between assets and liabilities, as reported in the statement of net position — as one way to measure the Academy's financial health or financial position. Over time, increases or decreases in the Academy's net position — as reported in the statement of net position — are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Academy's operating results. However, the Academy's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of the Academy.

The statement of net position and the statement of revenues, expenses, and changes in net position report the activities for the Academy, which encompass all the Academy’s services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities. The Academy has entered into a services agreement (the “Agreement”) with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the Agreement, NHA also provides the facility in which the Academy operates. Under the terms of the Agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

The table below provides a summary of the Academy’s net position for fiscal years ended June 30:

	<b>2014</b>	<b>2013</b>
Assets:		
Current assets	\$ 194,209	\$ 190,150
Capital assets, net of accumulated depreciation	<u>5,817</u>	<u>7,342</u>
Total assets	200,026	197,492
Liabilities—current	<u>177,498</u>	<u>172,495</u>
Net position :		
Net investment in capital assets	5,817	7,342
Unrestricted	<u>16,711</u>	<u>17,655</u>
Total net position	<u>\$ 22,528</u>	<u>\$ 24,997</u>

The unrestricted net position represent the accumulated results of the Academy’s operations to date. These assets can be used to finance day-to day-operations without constraints, such as legislative or legal requirements. The results of the current-year operations for the Academy as a whole are reported in the statement of revenues, expenses, and changes in net position, which shows the change in net position.

## Statement of Revenues, Expenses, and Changes in Net position

The table below shows the changes in net position as well as a listing of revenues and expenses for the fiscal years ending June 30:

	2014	2013
Operating revenues:		
Foundation payments	\$ 2,678,781	\$ 2,182,820
Food services	819	1,720
Other revenues	<u>56,747</u>	<u>16,705</u>
Total operating revenues	<u>2,736,347</u>	<u>2,201,245</u>
Operating expenses:		
Depreciation	2,084	1,526
Expenses of the Board of Directors	35,945	-
Contracted service fee	<u>5,217,938</u>	<u>5,123,582</u>
Total operating expenses	<u>5,255,967</u>	<u>5,125,108</u>
Operating loss	<u>(2,519,620)</u>	<u>(2,923,863)</u>
Nonoperating revenues:		
Federal grants	681,258	610,519
State grants	5,597	10,253
Private sources—NHA	<u>1,830,296</u>	<u>2,304,252</u>
Total nonoperating revenues	<u>2,517,151</u>	<u>2,925,024</u>
Change in net position	<u>\$ (2,469)</u>	<u>\$ 1,161</u>

As reported in the statement of revenues, expenses, and changes in net position, the cost of business activities was \$5,255,967. These activities were primarily funded by the Academy's state aid (based on student count) and governments and organizations that subsidized certain programs with grants. *Revenues Non-Operating — Private sources — NHA* represent a contribution granted by NHA for the excess of Academy expenses over public revenues available.

The Academy experienced a decrease in net position of \$2,469 in 2014. Under the terms of the Agreement, NHA provides a spending account to the Board of Directors for discretionary expenditures. The primary reason for the change in net position is the timing of these discretionary expenditures.

### Capital Assets

At June 30, 2014, the Academy had \$5,817 invested in capital assets from board discretionary funds, primarily other equipment. Capital assets are substantially provided as part of the agreement with NHA.

## **General Economic Factors**

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the Academy in 2015.

## **Contacting the Academy's Financial Management**

The financial report is designed to provide users of the report with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste. 201, Grand Rapids, MI 49512.

# ALLIANCE ACADEMY OF CINCINNATI

## STATEMENT OF NET POSITION

JUNE 30, 2014

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### CURRENT ASSETS:

Cash	\$	17,047
Intergovernmental receivable		<u>177,162</u>

Total current assets		<u>194,209</u>
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### NON-CURRENT ASSETS:

Capital assets		15,254
Less accumulated depreciation		<u>(9,437)</u>

Total non-current assets		<u>5,817</u>
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Total assets		<u>200,026</u>
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### LIABILITIES:

Accounts payable		302
Unearned revenue		91
Contracted service fee payable		<u>177,105</u>

Total liabilities		<u>177,498</u>
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### NET POSITION :

Net investment in capital assets		5,817
Unrestricted		<u>16,711</u>

TOTAL NET POSITION	\$	<u><u>22,528</u></u>
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See notes to financial statements.

## ALLIANCE ACADEMY OF CINCINNATI

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED JUNE 30, 2014

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OPERATING REVENUES:	
Foundation payments	\$ 2,678,781
Food services	819
Other revenues	<u>56,747</u>
Total operating revenues	<u>2,736,347</u>
OPERATING EXPENSES:	
Depreciation	2,084
Expenses of the Board of Directors	35,945
Contracted service fee	<u>5,217,938</u>
Total operating expenses	<u>5,255,967</u>
OPERATING LOSS	<u>(2,519,620)</u>
NONOPERATING REVENUES:	
Federal grants	681,258
State grants	5,597
Private sources — NHA	<u>1,830,296</u>
Total nonoperating revenue	<u>2,517,151</u>
CHANGE IN NET POSITION	(2,469)
Net position — Beginning of year	<u>24,997</u>
Net position — End of year	<u>\$ 22,528</u>

See notes to financial statements.

# ALLIANCE ACADEMY OF CINCINNATI

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2014

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from State of Ohio	\$ 2,664,907
Cash received from food services	760
Cash received from other operating revenue	56,747
Cash paid on behalf of the Academy for goods and services	<u>(3,418,526)</u>
Net cash used in operating activities	<u>(696,112)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES — Purchase of capital assets	
	<u>(559)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Federal grants received	690,431
State grants received	<u>5,597</u>
Net cash provided by noncapital financing activities	<u>696,028</u>
NET INCREASE IN CASH	(643)
CASH — Beginning of year	<u>17,690</u>
CASH — End of year	<u>\$ 17,047</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES:	
Operating loss	\$ (2,519,620)
Support from private sources — NHA	1,830,296
Depreciation	2,084
Changes in assets and liabilities:	
Change in intergovernmental receivables affecting operating revenue	(13,874)
Change in accounts payable	301
Change in deferred revenue	(59)
Change in contracted service fee payable	<u>4,760</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (696,112)</u>
NON-CASH ACTIVITY:	
Support from private sources — NHA	<u>\$ 1,830,296</u>

See notes to financial statements.

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# ALLIANCE ACADEMY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

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### 1. NATURE OF OPERATIONS

Alliance Academy of Cincinnati (the "Academy") is an Ohio Public School Academy, which provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy operates an approved charter received from Educational Service Center of Lake Erie West (ESCLEW or the "Sponsor"), which is responsible for oversight of the Academy's operations. The charter's term expires on June 30, 2018 and is subject to renewal. The Academy provides education to students in kindergarten through the eighth grade, at no cost to the parent. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The Academy was established and is operated as a nonprofit corporation under Chapter 1702 of the Ohio Revised Code and believes itself to be exempt from taxation under Internal Revenue Code Section 115(1) because its income is derived from the exercise of an essential governmental function and accrues to the State of Ohio (the "State"). Donations to the Academy qualify as a charitable deduction under Internal Revenue Code Section 170(c)(1).

The Academy operates under the direction of a board of directors (the "Board"). The Board is responsible for carrying out the provisions of the contract with the Sponsor that include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers.

The Board has entered into a services agreement (the "Agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the Agreement, NHA also provides the facility in which the Academy operates. The Agreement will continue until the termination or expiration of the charter contract, up to a maximum of five years, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the Agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources. *Non-Operating Revenues — Private sources — NHA* represent a contribution granted by NHA for the excess of Academy expenditures over public revenues available.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Academy's financial statements consist of a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

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 changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise's activities.

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.

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.

Nonexchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is 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 purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

*Estimates* — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Cash Deposits* — For cash management, all cash received by the Academy is pooled in a non-interest bearing central bank account. Total cash for the Academy is presented as "Cash" on the accompanying statement of net position. Cash as of June 30, 2014, represents bank deposits, which are covered by federal depository insurance.

*Capital Assets* — Capital assets, which include other equipment, are reported in the financial statements at historical cost. Capital assets are generally defined by the Academy as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

*Contracted Service Fee Payable* — Contracted service fee payable as of June 30, 2014, represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the agreement.

*Unearned Revenue* — Unearned revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned.

*Operating Revenues and Expenses* — The Academy currently participates in the State Foundation Program, the State Intervention Services Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as nonoperating revenue in the accounting period in which all eligibility requirements have been met.

Eligibility requirements include timing requirements, which specify the year when resources are required to be used or the fiscal year when use is 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.

*Net Position* — Net position represent the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

*Budgetary Process* — The contract between the Academy and its Sponsor prescribes an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis. Chapter 5705.391(A) of the Ohio Revised Code also requires the Academy to prepare a five-year forecast, update it annually, and submit it to the Superintendent of Public Instruction at the Ohio Department of Education.

### **3. DEPOSITS AND INVESTMENTS**

At fiscal year-end June 30, 2014, the Academy's bank balance was \$17,047. Based on the criteria described in GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, as of June 30, 2014, none of the bank balance was exposed to custodial risk as discussed below and all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk 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 the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Bank 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 Academy.

### **4. RECEIVABLES**

Receivables at June 30, 2014, consisted of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables at June 30, 2014, is as follows:

	<b>Amounts</b>
Due from State	\$ 13,874
Title I	134,280
Title I School Improvement	809
Title IIA	2,858
Race to the Top ARRA	22,752
National School Lunch and Breakfast	<u>2,589</u>
 Total intergovernmental receivables	 <u><u>\$ 177,162</u></u>

## 5. CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities at June 30, 2014, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Business-type activities — equipment	<u>\$ 14,695</u>	<u>\$ 559</u>	<u>\$ -</u>	<u>\$ 15,254</u>
Total capital assets at historical cost	<u>14,695</u>	<u>559</u>	<u>-</u>	<u>15,254</u>
Less accumulated depreciation — equipment	<u>(7,353)</u>	<u>(2,084)</u>	<u>-</u>	<u>(9,437)</u>
Total accumulated depreciation	<u>(7,353)</u>	<u>(2,084)</u>	<u>-</u>	<u>(9,437)</u>
Total business-type activities capital assets — net	<u><u>\$ 7,342</u></u>	<u><u>\$(1,525)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,817</u></u>

## 6. PENSION PLANS

### ***School Employees Retirement System***

*Plan Description* — NHA and contractors of NHA, on behalf of certain employees at the Academy, contribute to the School Employees Retirement System (SERS or the "System"), 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 on the SERS website at [www.ohsers.org](http://www.ohsers.org) under “Employers/Audit Resources.”

*Funding Policy* — Plan members were required to contribute 10% of their annual covered salary and NHA was required to contribute at an actuarially determined rate. NHA’s current rate is 14% of annual covered payroll. A portion of NHA contributions are used to fund pension obligations with the remainder being used to fund health care benefits. For the fiscal year ending June 30, 2014, 13.05% and 0.05% of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The remaining 0.9% of the 14% employer contribution rate is allocated to the Health Care and Medicare Funds 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 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

NHA’s required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$19,676, \$29,756, and \$31,926, respectively; and 100% was contributed for each fiscal year.

### ***State Teachers Retirement System***

*Plan Description* — NHA, on behalf of teachers at the Academy, 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 publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained on the Ohio STRS website at [www.strsoh.org](http://www.strsoh.org) under “Publications.”

New members have a choice of three retirement plans, a defined benefit plan (the “DB Plan”), a defined contribution plan (the “DC plan”) and a combined plan (the “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. 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 defined benefit portion of the Combined Plan payment is payable to a member on or after age 60; the defined contribution 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 Plan 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* — Plan members were required to contribute 11% of their annual covered salaries. NHA was required to contribute 14%; 13% was used to fund pension obligations and 1% was used for the health care stabilization fund. Contribution rates are established by the State Teachers Retirement Board (the "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.

NHA's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012, were \$192,636, \$174,649, and 173,497 respectively; 100% was contributed for each fiscal year.

## **7. POSTEMPLOYMENT BENEFITS**

### ***School Employees Retirement System***

*Plan Description* — NHA and contractors of NHA, on behalf of certain employees at the Academy, participates in two cost-sharing, multiple employer postemployment benefit plans administered by SERS for noncertificated retirees and their beneficiaries, a health care plan (the "Health Care Plan") and a Medicare Part B plan (the "Medicare Part B Plan"). The Health Care Plan includes hospitalization and physicians' fees through several types of plans including health maintenance organizations, preferred provider organizations, 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 premium for calendar year 2014 was \$104.90 for most participants 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 may be obtained on SERS' website at [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% of covered payroll to a health care fund (the "Health Care Fund"). The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, 0.14% 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% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,450.

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.

NHA's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,149, \$97, and \$2,002 respectively, 100% was contributed in each fiscal year.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare Part B fund. For fiscal year 2014, the actuarially required allocation is 0.76% of covered payroll. NHA's contributions to the Medicare B fund for the fiscal years ended June 30, 2014, 2013, and 2012, were \$1,142, \$481, and \$2,066 respectively, 100% was contributed in each fiscal year.

### ***State Teachers Retirement System***

*Plan Description* — NHA, on behalf of teachers at the Academy, contributes to the cost sharing, multiple-employer defined benefit health plan (the "Plan") administered by 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."

*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 postemployment 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.

NHA's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012, were \$14,818, \$13,435, and \$13,346, respectively; 100% was contributed for each fiscal year.

## **8. RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained through Citizens Insurance Company of America as follows:

Commercial General Liability	\$1,000,000 per occurrence \$3,000,000 in the aggregate with no deductible
Commercial Liability Umbrella	\$3,000,000 per occurrence \$3,000,000 in the aggregate with no deductible

There have been no significant reductions in insurance coverage during fiscal year 2014, and claims did not exceed coverage less retained risk deductible amounts during the past three fiscal years.

## **9. CONTINGENCIES**

*Grants* — Amounts received from grantor agencies are subject to audit and adjustment by the grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be

disallowed, if any, are not presently determinable. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the financial position of the Academy.

*State Funding*— The Ohio Department of Education (ODE) has identified several community schools and/or STEM schools that made critical data errors between the June payment and the Final #1 payment. As a result, ODE will be running a Final #2 foundation report for community schools and STEM schools for fiscal year 2014. As of the date of this report, a final list of schools impacted and amounts are not yet available, but ODE believes this will result in receivables to the schools affected.

**10. CONTRACTED SERVICE FEE**

NHA incurred the following actual direct and indirect expenses on behalf of the Academy for the year ended June 30, 2014:

Contracted Service Fee:	
Salaries, wages and benefits	2,281,511
Professional and technical services	266,194
Contracted (trade) services	16,288
Property services	1,189,426
Books, periodicals, films	20,754
Supplies	146,711
Utilities	90,382
Food service	238,077
Travel and training	77,161
Purchases services	53,576
Equipment lease and purchases	137,044
Field trips and student activities	60,837
Insurance and property taxes	17,306
Total Direct Costs	4,595,267
Indirect Costs	622,671
Total	<u>5,217,938</u>

NHA charges expenses benefiting more than one school (i.e., indirect expenses) based on key cost drivers. These charges represent indirect cost of services provided in the operation of the Academy. Such services include, but are not limited to, facilities management, equipment, operational support services, board relations, human resources management, training and orientation, financial reporting and compliance, purchasing and procurement, education services, technology support, and marketing and communications.



## **11. SPONSORSHIP AGREEMENT**

The Academy entered into a sponsorship agreement with the ESCLEW. The sponsorship agreement provides that ESCLEW receives 2% of State Foundation funds received by the Academy from the State. This amounted to \$53,576 for fiscal year 2014.

## **12. OPERATING LEASE**

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2013 through June 30, 2014. Annual rental payments required by the lease are \$913,600 payable in twelve monthly payments of \$76,133. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA.

The Academy subsequently amended and renewed the sublease with NHA for the period of July 1, 2014 through June 30, 2015, at the same rental rate.

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ALLIANCE ACADEMY OF CINCINNATI  
HAMILTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Grant Year	Federal CFDA Number	Receipts	Non Cash Receipts	Disbursements	Non Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education</i>						
School Breakfast Program	2013	10.553	\$1,734		\$123	
School Breakfast Program	2014	10.553	67,232		67,233	
National School Lunch Program	2013	10.555	2,981		240	
National School Lunch Program - Entitlement Commodities	2014	10.555		\$9,139		\$9,139
National School Lunch Program	2014	10.555	151,398		151,397	
Nutrition Cluster Total			<u>223,345</u>	<u>9,139</u>	<u>218,993</u>	<u>9,139</u>
Total U.S. Department of Agriculture			<u>223,345</u>	<u>9,139</u>	<u>218,993</u>	<u>9,139</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	2013	84.010	85,192		39,509	
Title I Grants to Local Educational Agencies	2014	84.010	237,792		264,531	
Title I Grants to Local Educational Agencies Total			<u>322,984</u>		<u>304,040</u>	
Special Education Grants to States (IDEA Part B)	2013	84.027	14,725			
Special Education Grants to States (IDEA Part B)	2014	84.027	64,701		64,701	
Special Education Grants to States (IDEA Part B) Total			<u>79,426</u>		<u>64,701</u>	
Improving Teacher Quality State Grants	2014	84.367	3,850		6,680	
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grant	2013	84.395	21,342		14,322	
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grant	2014	84.395	34,390		44,769	
ARRA - State Fiscal Stabilization Fund - Race to the Top Incentive Grant Total			<u>55,732</u>		<u>59,091</u>	
Total U.S. Department of Education			<u>461,992</u>		<u>434,512</u>	
<b>Total Federal Awards Expenditures</b>			<u><b>\$685,337</b></u>	<u><b>\$9,139</b></u>	<u><b>\$653,505</b></u>	<u><b>\$9,139</b></u>

The accompanying notes are an integral part of this schedule.

**ALLIANCE ACADEMY OF CINCINNATI  
HAMILTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Alliance Academy of Cincinnati (the Academy's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

The Academy reports commodities consumed on the Schedule at the entitlement value. The Academy allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

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

Alliance Academy of Cincinnati  
Hamilton County  
1712 Duck Creek Road  
Cincinnati, Ohio 45207

To the Board of Directors:

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 Alliance Academy of Cincinnati, Hamilton County, Ohio (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated March 10, 2015. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits from the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the contracted service fee amount as described in our report on the Academy's financial statements. The contracted service fee expenses were not audited in accordance with *Government Auditing Standards*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Academy'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 Academy'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 Academy'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 Academy'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 Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 10, 2015



# Dave Yost • Auditor of State

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

Alliance Academy of Cincinnati  
Hamilton County  
1712 Duck Creek Road  
Cincinnati, Ohio 45207

To the Board of Directors:

### ***Report on Compliance for the Major Federal Program***

We have audited the Alliance Academy of Cincinnati, Hamilton County, Ohio, (the Academy) 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 the Academy's major federal program for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings and questioned costs identifies the Academy's major federal program.

### ***Management's Responsibility***

The Academy'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 Academy's compliance for the Academy'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 Academy'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 Academy's major program. However, our audit does not provide a legal determination of the Academy's compliance.

### ***Basis for Qualified Opinion on the Child Nutrition Cluster***

As described in finding 2014-001 in the accompanying schedule of findings and questioned costs, the Academy did not comply with requirements regarding allowable cost/cost principles applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the Academy to comply with requirements applicable to these programs.

### ***Qualified Opinion on Child Nutrition Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the Academy complied, in all material respects, with the requirements referred to above that could directly and materially affect its Child Nutrition Cluster for the year ended June 30, 2014.

### ***Report on Internal Control over Compliance***

The Academy'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 Academy'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 each 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 Academy's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

The Academy's response to our internal control over compliance finding is described in the accompanying schedule of findings and questioned costs. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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



Alliance Academy of Cincinnati  
Hamilton County  
Independent Auditor's Report on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control Over  
Compliance Required by OMB Circular A-133  
Page 3

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**Dave Yost**  
Auditor of State

Columbus, Ohio

March 10, 2015

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**ALLIANCE ACADEMY OF CINCINNATI  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2014**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Qualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster: CFDA #10.553 – School Breakfast Program; CFDA #10.555 – National School Lunch Program
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

None

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

<b>Finding Number</b>	2014-001
<b>CFDA Title and Number</b>	Child Nutrition Cluster: 10.553 – School Breakfast Program 10.555 – National School Lunch Program
<b>Federal Award Number / Year</b>	2014
<b>Federal Agency</b>	U.S. Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Noncompliance/Material Weakness/Questioned Costs – Allowable Cost/Cost Principles**

**2 CFR Part 225, Appendix A, paragraph C.1** defines the general criteria for cost to be allowable under federal awards. Specifically paragraph C.1.j. requires the expenditure to be adequately documented for the cost to be allowable. **2 CFR Part 225, Appendix A, paragraph F.1** defines indirect costs as costs that have been incurred for a common or joint objective and cannot be readily identified with a particular final cost objective. Appendix C, paragraph D.3 states that all other local governments claiming central service costs must develop a plan in accordance with the requirements described in this appendix and maintain the plan and related supporting documentation for audit. These local governments are not required to submit their plans for Federal approval unless they are specifically requested to do so by the cognizant agency for indirect costs. Where a local government only receives funds as subrecipient, the pass-through entity will be responsible for monitoring the sub-recipient’s plan.

In Ohio, the Secretary of the U.S. Department of Education has delegated this authority to the Ohio Department of Education’s (ODE) Office of Federal and State Grants Management. All districts recovering indirect costs must have a plan on file with ODE.

The Academy charged a monthly overhead expense for general and administrative costs to the Child Nutrition Cluster program. The Academy did not provide documentation to support these charges and there was no indication that ODE approved the indirect cost plan for the Academy. The Academy paid its management company, National Heritage Academies (NHA), \$12,064 for overhead expenses during the year ended June 30, 2014.

The Academy charged a monthly facilities cost allocation expense to the Child Nutrition Cluster program. The facilities cost included allocations for rent, trash, maintenance and utilities. These charges are considered to be indirect costs, therefore requiring an indirect cost allocation plan approved by ODE. The Academy paid \$26,420 to NHA for facilities cost allocation during the year ended June 30, 2014.

In accordance with the foregoing facts and pursuant to OMB Circular A133 Section .510 (a)(3) a federal questioned cost in the amount of \$38,484 is hereby issued.

We recommend that the Academy's management company have the Ohio Department of Education approve any cost allocation plans to ensure that federal funds are spent in compliance with laws and regulations.

**FINDING NUMBER 2014-001  
(Continued)**

**Officials' Response:**

Through its service agreement with NHA, the Academy maintains policies and procedures to ensure that controls are in place that detect and prevent any noncompliance with federal awards. We believe that certain of the expenses identified as indirect costs by the AOS are considered direct costs paid by the Academy. Specifically, equipment rental, other facility costs (noted above), and processing of the Academy's FRL applications associated with the Academy's food service program are considered direct costs as they are calculated using data criteria specific to the Academy and its food service program (i.e. square footage, number of employees, number of FRL applications, etc...). However, we are currently working with ODE to finalize an approved indirect cost recovery plan (the "plan") that will provide an indirect cost rate for the Academy's food service program. Our intention is to utilize the approved plan for the Academy's fiscal year ending June 30, 2016 to more accurately calculate food service program related costs using a methodology approved by ODE.

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**ALLIANCE ACADEMY OF CINCINNATI  
HAMILTON COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	<p>Through its service agreement with NHA, the Academy maintains policies and procedures to ensure that controls are in place that detect and prevent any noncompliance with federal awards. We believe that certain of the expenses identified as indirect costs by the AOS are considered direct costs paid by the Academy. Specifically, equipment rental, other facility costs (noted above), and processing of the Academy's FRL applications associated with the Academy's food service program are considered direct costs as they are calculated using data criteria specific to the Academy and its food service program (i.e. square footage, number of employees, number of FRL applications, etc...). However, we are currently working with ODE to finalize an approved indirect cost recovery plan (the "plan") that will provide an indirect cost rate for the Academy's food service program. Our intention is to utilize the approved plan for the Academy's fiscal year ending June 30, 2016 to more accurately calculate food service program related costs using a methodology approved by ODE</p>	06/30/15	Ann Strahota

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# Dave Yost • Auditor of State

**ALLIANCE ACADEMY OF CINCINNATI**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 26, 2015**