

**CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE
LORAIN COUNTY, OHIO**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2014



Constellation Schools

"The Right Choice for Parents and a Real Chance for Children!"



Dave Yost • Auditor of State

Board of Trustees
Constellation Schools: Lorain Community Middle
1110 West 4th Street
Lorain, Ohio 44052

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Constellation Schools: Lorain Community Middle is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

December 31, 2014

**CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE
LORAIN COUNTY, OHIO**

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INDEPENDENT AUDITOR'S REPORT

December 19, 2014

To the Board of Trustees
Constellation Schools: Lorain Community Middle
1110 West 4th Street
Lorain, OH 44052

Report on the Financial Statements

We have audited the accompanying financial statements of Constellation Schools: Lorain Community Middle, Lorain County, Ohio (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2014

The discussion and analysis of Constellation Schools: Lorain Community Middle (LCM) financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the financial performance of LCM as a whole. Readers should also review the Notes to the Financial Statements and the Financial Statements to enhance their understanding of the financial performance of LCM.

Financial Highlights

Key financial highlights for 2014 include the following:

- In total, net position increased \$74,210, which represents a 42.9% increase from 2013. This increase is due primarily to increases in state foundation support from 2013 to 2014 which was offset by slightly higher operating expenses and reductions in federal entitlement grants and services to other schools.
- Total assets increased \$133,484, which represents a 72.3% increase from 2013. This is due to major increases in cash, accounts receivable, due from other governments and capitalized leased equipment acquired during 2014.
- Liabilities increased \$59,274, which represents a 503.9% increase from 2013. An increase of capital lease equipment payable and unearned revenue was offset by decreases in accounts payable.
- Operating revenues increased by \$69,950, which represents a 7.6% increase from 2013. This is a direct result of increased state foundation support, casino tax collections and miscellaneous revenues with decreases in material fees and services to other schools.
- Expenses increased by \$1,016 which represents a 0.1% increase from 2013. Decreases in salaries, fringe benefits and capital outlay were offset by increases in purchased services, materials, supplies, depreciation and other expenses.
- Non-operating revenues decreased by \$12,976 which represents a 7.9% decrease from 2013. This decrease is due to decreases in federal funding and contributions.

Using this Financial Report

This report consists of three parts, Management's Discussion and Analysis, the Financial Statements and the Notes to the Financial 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.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Statement of Net Position

The Statement of Net Position looks at how well LCM has performed financially through June 30, 2014. This statement includes all of the assets, liabilities and net position using the accrual basis of accounting, which is the accounting method used by most private-sector companies. This basis of accounting takes into account all revenues earned and expenses incurred during the year, regardless as to when the cash is received or expended.

The following schedule provides a summary Statement of Net Position for fiscal years ended June 30, 2014 and 2013 for LCM.

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Assets				
Cash	\$156,755	\$85,442	\$71,313	83.5%
Other Current Assets	24,110	8,473	15,637	184.6%
Non-Current Assets	27,520	25,178	2,342	100.0%
Capital Assets	<u>109,828</u>	<u>65,636</u>	<u>44,192</u>	<u>67.3%</u>
Total Assets	<u>318,213</u>	<u>184,729</u>	<u>133,484</u>	<u>72.3%</u>
Liabilities				
Current Liabilities	32,475	8,580	23,895	278.5%
Long-Term Liabilities	<u>38,563</u>	<u>3,184</u>	<u>35,379</u>	<u>1111.1%</u>
Total Liabilities	<u>71,038</u>	<u>11,764</u>	<u>59,274</u>	<u>503.9%</u>
Net Position				
Net Investment in Capital Assets	41,436	60,624	(19,188)	-31.7%
Unrestricted	<u>205,739</u>	<u>112,341</u>	<u>93,398</u>	<u>83.1%</u>
Total Net Position	<u>\$247,175</u>	<u>\$172,965</u>	<u>\$74,210</u>	<u>42.9%</u>

Net Position increased \$74,210, due primarily to increases in state foundation support offset partially by operating expense increases. For assets, cash increased \$71,313; accounts receivable increased \$5,290; due from other governments increased \$10,347; security deposits increased \$2,342 and net capital assets increased \$44,192 from 2013. For liabilities, accounts payable decreased \$4,315, interest payable increased \$14, unearned revenue (previously deferred revenues) increased \$195 and capital equipment lease payable increased \$63,380.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position reports operating and non-operating activities for the fiscal year ended June 30, 2014.

The following schedule provides a summary of the Statement of Revenues, Expenses and Changes in Net Position for LCM for fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Revenues				
Foundation and Poverty Based Assistance Revenues	\$924,599	\$837,299	\$87,300	10.4%
Other Operating Revenues	63,157	80,507	(17,350)	-21.6%
Total Operating Revenues	<u>987,756</u>	<u>917,806</u>	<u>69,950</u>	<u>7.6%</u>
Federal and State Grants	150,681	163,603	(12,922)	-7.9%
Private Grants and Contributions	<u>0</u>	<u>54</u>	<u>(54)</u>	<u>-100.0%</u>
Total Non-Operating Revenues	<u>150,681</u>	<u>163,657</u>	<u>(12,976)</u>	<u>-7.9%</u>
Total Revenues	<u>1,138,437</u>	<u>1,081,463</u>	<u>56,974</u>	<u>5.3%</u>
Expenses				
Salaries	425,637	444,186	(18,549)	-4.2%
Fringe Benefits	118,486	144,173	(25,687)	-17.8%
Purchased Services	392,969	358,929	34,040	9.5%
Materials and Supplies	45,868	44,149	1,719	3.9%
Capital Outlay	8,606	31,404	(22,798)	-72.6%
Depreciation	35,030	20,886	14,144	67.7%
Other Expenses	<u>37,631</u>	<u>19,484</u>	<u>18,147</u>	<u>93.1%</u>
Total Expenses	<u>1,064,227</u>	<u>1,063,211</u>	<u>1,016</u>	<u>0.1%</u>
Changes in Net Position	<u>74,210</u>	<u>18,252</u>	<u>55,958</u>	<u>306.6%</u>
Net Position: Beginning of the Year	<u>172,965</u>	<u>154,713</u>	<u>18,252</u>	<u>11.8%</u>
Net Position: End of Year	<u><u>\$247,175</u></u>	<u><u>\$172,965</u></u>	<u><u>\$74,210</u></u>	<u><u>42.9%</u></u>

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2014

Net Position increased in both fiscal years ending June 30, 2014 and 2013. This is due to increased state foundation funding and increased enrollment offset by slightly higher operating expenses both years. Although certain expenditures such as salaries will increase or decrease as the number of classes increase and decrease other costs remain fixed such as facilities costs resulting in more efficient operations.

Overall, revenues increased by \$56,974 from 2013 to 2014. The most significant changes in revenues from 2013 to 2014 are increases of \$83,642 in State Foundation funding and increased collection of Casino tax revenues totaling \$3,658. Decreases occurred in federal grants totaling \$13,349 and services to other schools totaling \$37,000. Minor changes occurring in other revenue sources had minimal effect on the overall revenue.

Expenses increased slightly by \$1,016 from 2013. Salaries and Fringe Benefits decreased \$44,236 due to staffing changes offset in part by regular annual increases. Purchased services increased \$34,040 due to increases in student services, data management services, administrative fees and food services with reductions in facility costs and marketing. Materials and Supplies increased \$1,719 due to increases in instructional materials and text books with reductions in testing materials and software. Capital Outlay decreased \$22,798 due to reduced purchases of instructional technology which were acquired through leases. Depreciation increased \$14,144 because of technology equipment acquired through capitalized leases completed during the year. Other Expenses increased \$18,147.

Capital Assets

As of June 30, 2014, LCM had \$109,828 invested in technology, software, furniture and equipment, net of depreciation. This is a \$44,192 increase from June 30, 2013.

The following schedule provides a summary of Capital Assets as of June 30, 2014 and 2013 for LCM.

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>%</u>
Capital Assets (net of depreciation)				
Technology and Software	\$74,725	\$18,268	\$56,457	309.0%
Furniture and Equipment	<u>35,103</u>	<u>47,368</u>	<u>(12,265)</u>	<u>-25.9%</u>
Net Capital Assets	<u>\$109,828</u>	<u>\$65,636</u>	<u>\$44,192</u>	<u>67.3%</u>

For more information on capital assets see the Notes to the Financial Statements.

Equipment Financing

During fiscal year 2012, LCM entered into a group lease agreement with Winthrop Resources Corporation for \$7,383 worth of technology equipment. The lease term is for a total of 48 months, carries an interest rate of 7.38% per annum and will expire in January 2016. The lease values have been recorded as capital equipment to recognize the assets, and as capital equipment lease payables to recognize the lease debt. The outstanding principal value as of June 30, 2014 on the lease payable is \$3,184.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

Management's Discussion and Analysis

For the Year Ended June 30, 2014

During fiscal year 2014 LCM entered into a group leasing agreement with Winthrop Resources Corporation for \$83,711 worth of technology equipment. The lease term is for a total of 36 months, carries an interest rate of 0.50% per annum and will expire in October 2016. The lease values have been recorded as capital equipment to recognize the assets, and as capital equipment lease payables to recognize the lease debt. The outstanding principal value as of June 30, 2014 on the lease payable is \$65,208.

Current Financial Issues

Constellation Schools: Lorain Community Middle opened in January of 2006. It has grown from 57 students, four teaching staff members and expenses of \$254,136 to a total of 121 students, 12 teaching staff members and expenses of \$1,064,227 (please note that the first year of operations was for only one-half of a school year). In January 2006 grades 5 through 8 were split off from Lorain Community School to form Constellation Schools: Lorain Community Middle. This is providing more flexibility in the curriculum for each student and improving our options for limited facilities space.

As the nation continues to recover from a major economic downturn, the Board of Directors, school management and school staff have worked diligently to ensure that the school maintains the high level of educational services and financial integrity that we have always provided. Our goal is to provide a strong educational product for our students and families and to maintain the reputation we have developed during our previous years.

Contacting the School's Financial Management

This financial report is designed to provide our constituents with a general overview of the finances for LCM and to show accountability for the monies it receives. If you have any questions about this report or need additional information please contact Thomas F. Babb, M.A., CPA, by mail at Constellation Schools LLC, 5730 Broadview Road, Parma, Ohio 44134; by e-mail at babb.thomas@constellationschools.com; by calling 216.712.7600; or by faxing 216.712.7601.

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Constellation Schools: Lorain Community Middle
Lorain County, Ohio
Statement of Net Position
As of June 30, 2014

Assets:

Current Assets:

Cash	\$156,755
Accounts Receivable	5,290
Due from Other Governments	18,820
<i>Total Current Assets</i>	180,865

Non-Current Assets:

Security Deposit	27,520
Capital Assets (Net of Accumulated Depreciation)	109,828
<i>Total Non-Current Assets</i>	137,348

<i>Total Assets</i>	318,213
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Liabilities:

Current Liabilities:

Accounts Payable	1,706
Interest Payable	45
Unearned Revenue	895
Capital Lease Equipment Payable	29,829
<i>Total Current Liabilities</i>	32,475

Long Term Liabilities:

Capital Lease Equipment Payable	38,563
<i>Total Long Term Liabilities</i>	38,563

<i>Total Liabilities</i>	71,038
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Net Position:

Net Investment in Capital Assets	41,436
Unrestricted	205,739
<i>Total Net Position</i>	\$247,175

The accompanying notes to the financial statements are an integral part of this statement.

**Constellation Schools: Lorain Community Middle
Lorain County, Ohio
Statement of Revenues, Expenses and
Changes in Net Position
For the Fiscal Year Ended June 30, 2014**

Operating Revenues:

Foundation and Poverty Based Assistance Revenues	\$924,599
Other Operating Revenues	63,157
<i>Total Operating Revenues</i>	987,756

Operating Expenses:

Salaries	425,637
Fringe Benefits	118,486
Purchased Services	392,969
Materials and Supplies	45,868
Capital Outlay	8,606
Depreciation	35,030
Other Operating Expenses	37,076
<i>Total Operating Expenses</i>	1,063,672

Operating Loss	(75,916)
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Non-Operating Revenues & (Expenses):

Interest Expense	(555)
Federal and State Grants	150,681
<i>Total Non-Operating Revenues & (Expenses)</i>	150,126

Change in Net Position	74,210
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Net Position at Beginning of the Year	172,965
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Net Position at End of Year	\$247,175
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The accompanying notes to the financial statements are an integral part of this statement.

**Constellation Schools: Lorain Community Middle
Lorain County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014**

Increase (Decrease) in Cash:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$924,599
Cash Payments to Suppliers for Goods and Services	(609,092)
Cash Payments to Employees for Services	(425,637)
Other Operating Revenues	<u>55,547</u>
Net Cash Used for Operating Activities	<u>(54,583)</u>

Cash Flows from Noncapital Financing Activities:

Federal and State Grants Received	<u>149,110</u>
Net Cash Provided by Noncapital Financing Activities	<u>149,110</u>

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(83,710)
Proceeds for Equipment Lease	83,710
Equipment Lease Principal Payments	(20,331)
Equipment Lease Interest Payments	(541)
Increase in Security Deposit	<u>(2,342)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(23,213)</u>

Net Increase in Cash	71,313
Cash at Beginning of Year	<u>85,442</u>
Cash at End of Year	<u><u>\$156,755</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Constellation Schools: Lorain Community Middle
Lorain County, Ohio
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2014
(Continued)

**Reconciliation of Operating Loss to Net
Cash Used for Operating Activities:**

Operating Loss	(\$75,916)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities:**

Depreciation	35,030
Capital Asset Returned for Refund	4,488

Changes in Assets and Liabilities:

(Increase) in Accounts Receivable	(5,290)
(Increase) in Due from Other Governments	(8,801)
(Decrease) in Accounts Payable	(4,289)
Increase in Unearned Revenue	195

Total Adjustments	21,333
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Net Cash Used for Operating Activities	(\$54,583)
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The accompanying notes to the financial statements are an integral part of this statement.

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE
- A Community School -
Lorain County, Ohio

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

I. Description of the School and Reporting Entity

Constellation Schools: Lorain Community Middle (LCM) is a nonprofit corporation established on December 5, 2003 pursuant to Ohio Revised Code Chapters 3314 and 1702 to maintain and provide a school exclusively for any educational, literary, scientific and related teaching service that qualifies as an exempt organization under §501(c)(3) of the Internal Revenue Code. On March 28, 2006, LCM was issued a determination letter of tax-exempt status with the Internal Revenue Service under section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the tax-exempt status of LCM. LCM, which is part of Ohio's education program, is independent of any school district. LCM may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of LCM.

LCM was approved for operation as Mansfield Academy for Gifted Students (MAGS) under a contract dated January 20, 2004 between the Governing Authority (Board) of LCM and the Lucas County Educational Service Center (LCESC) (the Sponsor). On August 18, 2005 LCM (as MAGS) entered into a contract with Buckeye Community Hope Foundation (BCHF) to have BCHF replace LCESC as their sponsor. The contract has been renewed through June 30, 2015. Under the terms of the contract BCHF will provide sponsorship services for a fee. See Note XII for further discussion of the sponsor services.

LCM entered into an agreement with Constellation Schools (CS) to provide legal, financial, business and educational management services for the fiscal year. See Note XII for further discussion of this management agreement.

LCM operates under a five member Board of Directors. The 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 qualification of teachers. The Board of Directors controls LCM's instructional facility staffed by twelve certificated full time teaching personnel and four support staff who provide services to 121 students. During 2014, the board members for LCM also serve as the board for Constellation Schools: Old Brooklyn Community Middle; Constellation Schools: Westpark Community Middle; Constellation Schools: Outreach Academy for Students with Disabilities and Constellation Schools: Eastside Arts Academy.

II. Summary of Significant Accounting Policies

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

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

**- A Community School -
Lorain County, Ohio**

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

1. Basis of Presentation

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

2. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its 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. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. LCM prepares financial statements using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from non-exchange transactions, in which LCM 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 fiscal year when the resources are required to be used or the fiscal year when the use is first permitted; matching requirements, in which LCM must provide local resources to be used for a specified purpose; and expenditure requirements, in which resources are provided to LCM on a reimbursement basis. Expenses are recognized at the time they are incurred.

3. Change in Accounting Principles

For 2014, LCM has implemented GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*". GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE

**- A Community School -
Lorain County, Ohio**

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

determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 did not have an effect on the financial statements of LCM.

4. Cash

All monies received by LCM are deposited in demand deposit accounts.

5. Budgetary Process

Pursuant to Ohio Revised Code Chapter 5705.391 LCM prepares and adopts an annual budget which includes estimated revenues and expenditures for the fiscal year and a five year forecast of revenues and expenditures. LCM will from time to time adopt budget revisions as necessary.

6. Due From Other Governments

Monies due LCM for the year ended June 30, 2014 are recorded as Due From Other Governments. A current asset for the receivable amount is recorded at the time of the event causing the monies to be due.

7. Capital Assets and Depreciation

Capital assets are capitalized at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. All items with a useful life of one year or greater and a value of \$1,000 or more 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 capital assets are depreciated. Depreciation of technology, software, furniture and equipment is computed using the straight line method over their estimated useful lives. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets or less. Estimated useful lives are as follows:

Capital Asset Classification	Years
Technology & Software	3 to 5
Furniture and Equipment	10

CONSTELLATION SCHOOLS: LORAIN COMMUNITY MIDDLE
- A Community School -
Lorain County, Ohio

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

8. Intergovernmental Revenues

LCM currently participates in the State Foundation Program, the State Poverty Based Assistance Program and Casino Tax Distribution. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met. LCM also participates in Federal Entitlement Programs, the Federal Lunch Reimbursement Program, Race to the Top and various State Grant Programs. State and Federal Grants and Entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Amounts awarded under the above named programs for the 2014 school year totaled \$1,075,280.

9. Private Grants and Contributions

LCM received grants and contributions from private sources to support the schools programs. Private grants and contributions are recognized as non-operating revenues in the accounting period in which they are received. LCM did not receive any grants and contributions for the 2014 school year.

10. Compensated Absences

Vacation is taken in a manner which corresponds with the school calendar; therefore, LCM does not accrue vacation time as a liability.

Sick leave benefits are earned at the rate of one and one-quarter day per month and can be accrued up to a maximum of one hundred twenty days. LCM will accept the transfer of sick days from another school district up to the maximum accrual amount. No financial accrual for sick time is made since unused sick time is not paid to employees upon employment termination.

11. Use of Estimates

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

12. Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. The unearned revenue for LCM consists of materials fees received in the current year which pertains to the next school year.

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III. Deposits

At fiscal year end June 30, 2014, the carrying amount of LCM's deposits totaled \$156,755 and its bank balance was \$166,056. 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, while \$166,056 was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, LCM 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 Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of LCM.

IV. Purchased Services

Purchased Services include the following:

Instruction	\$56,597
Pupil Support Services	51,808
Staff Development & Support	12,672
Administrative	147,765
Occupancy Costs	74,360
Food Services	48,596
Student Activities	<u>1,171</u>
 Total Purchased Services	 <u><u>\$392,969</u></u>

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V. Capital Assets

A summary of capital assets at June 30, 2014 follows:

	<u>Balance</u> 6/30/13	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 6/30/14
Capital Assets Being Depreciated				
Technology and Software	\$69,586	\$83,710	(\$9,751)	\$143,545
Furniture and Equipment	<u>122,646</u>	<u>0</u>	<u>0</u>	<u>122,646</u>
Total Capital Assets Being Depreciated	<u>192,232</u>	<u>83,710</u>	<u>(9,751)</u>	<u>266,191</u>
Less Accumulated Depreciation				
Technology and Software	(51,318)	(22,765)	5,263	(68,820)
Furniture and Equipment	<u>(75,278)</u>	<u>(12,265)</u>	<u>0</u>	<u>(87,543)</u>
Total Accumulated Depreciation	<u>(126,596)</u>	<u>(35,030)</u>	<u>5,263</u>	<u>(156,363)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$65,636</u>	<u>\$48,680</u>	<u>(\$4,488)</u>	<u>\$109,828</u>

VI. Capital Equipment Lease Payable

During fiscal year 2012, LCM entered into a group lease agreement with Winthrop Resources Corporation for \$7,383 worth of technology equipment. The lease term is for a total of 48 months, carries an interest rate of 7.38% per annum and will expire in January 2016. This lease meets the criteria of a capital lease as defined by accounting standards, which defines a capital lease generally as one which transfers the benefits and risks of ownership of the lessee.

During fiscal year 2014 LCM entered into a group leasing agreement with Winthrop Resources Corporation for \$83,710 worth of technology equipment. The lease term is for a total of 36 months, carries an interest rate of 0.50% per annum and will expire in October 2016. This lease meets the criteria of a capital lease as defined by accounting

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standards, which defines a capital lease generally as one which transfers the benefits and risks of ownership of the lessee.

Assets of technology equipment totaling \$7,383 and \$83,710 have been capitalized. This amount represents the actual purchase price of the equipment and is the same as the net present value of the minimum lease payments at the time of acquisition. Principal payments during fiscal year 2014 totaled \$20,331 and interest paid totaled \$541.

Future minimum lease payments for principal and interest under both capital leases are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$29,829	\$411	\$30,240
2016	29,207	143	29,350
2017	<u>9,356</u>	<u>9</u>	<u>9,365</u>
Total	<u>\$68,392</u>	<u>\$563</u>	<u>\$68,955</u>

VII. Operating Leases

Effective July 1, 2012 LCM leases its facility from Constellation Schools: Lorain Community Elementary (LCE) under a one year sub-lease agreement with the ability to renew annually. Under the terms of the lease LCM made monthly lease payments of \$6,000 during fiscal year 2014. LCE charged LCM a total of \$72,000 during the year. As of June 30, 2014 all lease payments due LCE from LCM have been paid.

VIII. Risk Management

1. Property and Liability Insurance

LCM 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, LCM contracted with Traveler's Property Casualty Company of America for property insurance, The Hanover Insurance Company for liability insurance and errors and omissions insurance and Allamerica Financial Benefit Insurance Company for Automobile insurance.

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General property and liability is covered at \$10,000,000 single occurrence limit and \$11,000,000 aggregated. Hired and Non-Owned Vehicles are covered at \$1,000,000 combined single limit of liability. Other coverage includes Employee Crime, School Leaders Errors & Omissions, Sexual Abuse and Misconduct, Electronic Data Processing and Business Interruption. Settled claims have not exceeded this coverage in any of the past three years, nor has there been any significant reduction in insurance coverage from the prior year.

2. Workers' Compensation

LCM makes premium payments to the Ohio Worker's Compensation System for employee injury coverage. There has been one claim filed by LCM employees with the Ohio Worker's Compensation System between January 1, 2010 and June 30, 2014. The total payments made for this claim have been \$200. In the opinion of management, these claims will not have a material adverse effect on the overall financial position of LCM as June 30, 2014.

3. Employee Medical, Dental, Vision and Life Benefits

LCM provides medical, dental, vision and life insurance benefits to all full time employees. Employees participate in premium payments through pretax payroll deductions. Total insurance benefits paid by LCM for the fiscal year is \$41,450.

IX. Defined Benefit Pension Plans

1. State Teachers Retirement System

LCM 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, 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 plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are

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credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

The DB Plan benefits are established under Chapter 3307 of the Ohio Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the members' three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years until 100% of the final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. The total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance. Benefits are increased annually by 3% of the original base amount for DB Plan participants.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Ohio Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the members' designated beneficiary is entitled to receive the member's account balance.

Member contributions in the Combined Plan are allocated by the member, and employer contributions are used to fund a defined benefit payment. A members' defined benefit is determined by multiplying 1% of the members' final average salary by the members' years of service credit. The defined portion of the Combined Plan is payable to a member on or after age 60. The defined

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contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

The DB and Combined Plan offer access to health coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers. Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The amount required to fund pension obligations during the year is 13%.

LCM's required contributions for pension obligations for the fiscal years ended June 30, 2014, 2013 and 2012 were \$48,461, \$49,871 and \$66,703, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012. Member and employer contributions actually made for DB, DC and Combined Plan participants will be provided upon written request.

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2. School Employees Retirement System

LCM contributes to the School Employees Retirement System of Ohio (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. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and LCM 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 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. LCM's contributions to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$7,401, \$8,479 and \$7,918, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

X. Post-Employment Benefits Other than Pension Benefits

1. State Teachers Retirement System

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple employer health care plans. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Section 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care. The 14% employer contribution rate is the maximum rate established under Ohio law. For the fiscal

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years ended June 30, 2014, 2013 and 2012 LCM's contributions to post-employment health care were \$3,728, \$3,836 and \$5,131, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

2. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio administers two post-employment benefit plans. The Medicare B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code 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 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.

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 .76%. For the fiscal years ended June 30, 2014, 2013 and 2012 LCM'S contributions to Medicare Part B were \$402, \$448 and \$430, respectively; 100% has been contributed for fiscal years 2014, 2013 and 2012.

Ohio Revised Code 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 Ohio Revised Code provides a statutory authority to fund SERS' postemployment benefits through employee contributions. Active members do not make contributions to the postemployment 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 14% contribution to the Health Care Fund. For the year ended June 30, 2014 the health care allocation is 0.14%. 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

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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 \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For the fiscal years ended June 30, 2014, 2013 and 2012 LCM's contributions to the Health Care Plan, including the surcharge were \$1,006, \$1,153 and \$1,663, respectively; 7.35% has been contributed for fiscal year 2014 and 100% for fiscal years 2013 and 2012. \$932 representing the unpaid surcharge due for fiscal year 2014 is recorded as a liability within the respective funds.

XI. Contingencies

1. Grants

LCM received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs requires compliance with terms and conditions, specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of LCM. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of LCM at June 30, 2014.

2. Enrollment FTE

The Ohio Department of Education conducts reviews of enrollment 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. The conclusions of this review could result in state funding being adjusted. Adjustments to the state funding received during fiscal year 2014 are immaterial and are not reflected in the 2014 financial statements but will be included in the financial activity for fiscal year 2015.

XII. Sponsorship and Management Agreements

LCM entered into an agreement with Buckeye Community Hope Foundation (BCHF) to provide sponsorship and oversight services as required by law. The agreement is effective through June 30, 2015. Sponsorship fees are calculated as 3% of the Fiscal Year 2014 Foundation payments received by LCM, from the State of Ohio. The total amount due from LCM for fiscal year 2014 was \$27,217 all of which was paid prior to June 30, 2014.

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LCM entered into an agreement with Constellation Schools (CS) to provide legal, financial, and business management services for fiscal year 2014. The agreement was for a period of one year, effective July 1, 2013. Management fees are calculated as 6.25% of the Fiscal Year 2014 Foundation payment received by LCM from the State of Ohio plus a fixed fee of \$72,175. The total amount due from LCM for the fiscal year ending June 30, 2014 was \$129,574. During the 2014 year CS issued credits totaling \$25,000 to LCM to reduce total management fees. After application of the credits, the total amount due from LCM for the fiscal year ending June 30, 2014 was \$104,574 all of which was paid prior to June 30, 2014.

XIII. Subsequent Event

During July of 2014 LCM obtained a loan to purchase technology equipment in an amount up to \$7,000. As of December 19, 2014 LCM has drawn \$1,786 of the available lease amount. The loan is scheduled to close to purchases by the end of December after which it will convert to a 48 month loan with an interest rate of 3.99%.

December 19, 2014

To the Board of Trustees
Constellation Schools: Lorain Community Middle
1110 West 4th Street
Lorain, OH 44052

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Constellation Schools: Lorain Community Middle, Lorain 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 December 19, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Rea & Associates, Inc.

Medina, Ohio



Dave Yost • Auditor of State

LORAIN COMMUNITY MIDDLE

LORAIN 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
JANUARY 08, 2015**