



Dave Yost • Auditor of State

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the Cincinnati College Preparatory Academy, 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 financial statements of the West End Cincinnati Victory Partners, LLC (LLC), a joint venture in which the Academy has an equity interest; the Academy reports their portion of the LLC Members' Capital as an Investment in LLC, and the change in Members' Capital as an Increase (Decrease) in Investment in LLC on the accompanying financial statements. This Investment in LLC balance represents 13.1 percent of total assets and the Increase in Investment in LLC represents 2.7 percent of total operating revenues. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amount included for the Investment in LLC and the Increase in Investment in LLC, 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 audited the financial statements of the West End Cincinnati Victory Partners, LLC in accordance with auditing standards generally accepted in the United States of America 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Cincinnati College Preparatory Academy, 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* 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 and the other auditors 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 Awards 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 statement is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this 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 April 13, 2017, 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

April 13, 2017

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Cincinnati College Preparatory Academy
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

The discussion and analysis of the Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy) financial performance provides an overall review of the Academy's financial activities for the year ended June 30, 2014. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statement and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

- For fiscal year 2014 assets exceeded liabilities by \$5,846,050.
- The Academy derived 95 percent of their revenues through federal and state programs.
- Salaries and benefits accounted for 67 percent of the \$5,888,482 in operating expenses for fiscal year 2014.
- The Academy saw the long term liabilities decrease by \$818,680 in fiscal year 2014 as the Academy paid off five debt obligations and paid down five other obligations.

Using this Annual Financial Report and Overview of Financial Statements

This annual report consists of three components: the management discussion and analysis, the basic financial statements and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

The statement of net position presents information on all the Academy's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how the Academy's net position changed during the most recent fiscal year.

The statement of cash flows presented the sources and uses of the Academy's cash and how it changed during the most recent fiscal year.

Cincinnati College Preparatory Academy
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Table 1 provides a summary of the Academy's net position for fiscal year 2013 compared to fiscal year 2014.

Table 1			
Net position			
	2014	2013	Change
Assets			
Current assets	\$1,075,916	\$862,057	\$213,859
Investment in LLC	1,075,707	898,915	176,792
Capital assets, net	6,049,450	5,816,190	233,260
<i>Total assets</i>	<u>8,201,073</u>	<u>7,577,162</u>	<u>623,911</u>
Liabilities			
Current liabilities	1,107,501	1,745,769	(638,268)
Long term liabilities	1,247,522	2,066,202	(818,680)
<i>Total liabilities</i>	<u>2,355,023</u>	<u>3,811,971</u>	<u>(1,456,948)</u>
Net position			
Net investment in capital assets	4,622,780	3,150,412	1,472,368
Unrestricted	1,223,270	614,799	608,471
<i>Total net position</i>	<u>\$5,846,050</u>	<u>\$3,765,191</u>	<u>\$2,080,859</u>

The Academy saw current assets increase significant as the Academy as the cash balance increased over \$397,000 with the increased state foundation revenue. The intergovernmental receivables did drop about \$170,000 from fiscal year 2013. The Academy saw the capital asset increase as the Academy completed multiple building purchases for over \$600,000 that exceeded the \$421,093 for current year depreciation.

The current liabilities dropped significantly as the amount reported for accounts payables decreased with the Academy paying down significant past due vendors. The long term liabilities decreased as the Academy paid off three bank loans/mortgages and the West End Health Center obligation.

These items contributed to the Academy's net position increasing by over \$2.0 million.

Cincinnati College Preparatory Academy
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

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

Table 2
Change in Net position

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Revenues			
Operating revenues:			
Foundation payments	\$6,030,980	\$5,846,238	\$184,742
Rental	159,705	217,236	(57,531)
Classroom fees	6,669	0	6,669
Charges for services	11,514	28,218	(16,704)
Other operating revenues	22,430	42,868	(20,438)
Non-operating revenues:			
Federal and state grants	1,692,317	1,504,200	188,117
Gain on Investment in LLC	176,792	36,589	140,203
Total revenues	<u>8,100,407</u>	<u>7,675,349</u>	<u>425,058</u>
Expenses			
Operating expenses:			
Salaries	3,072,104	3,202,152	(130,048)
Fringe benefits	875,049	915,518	(40,469)
Purchased services	1,345,695	1,274,779	70,916
Materials and supplies	144,036	245,793	(101,757)
Depreciation	421,093	394,007	27,086
Other expenses	30,505	404,324	(373,819)
Non-Operating Expenses:			
Interest and fiscal charges	131,066	142,730	(11,664)
Total Expenses	<u>6,019,548</u>	<u>6,579,303</u>	<u>(559,755)</u>
Change in Net position	2,080,859	1,096,046	<u>\$984,813</u>
Beginning Net position	<u>3,765,191</u>	<u>2,669,145</u>	
Ending Net position	<u>\$5,846,050</u>	<u>\$3,765,191</u>	

The Academy saw total revenues increase from 2013 to 2014 mainly from the increased in foundation revenue as the FTE counts rose from 826 in fiscal year 2013 to 909 in fiscal year 2014. The Academy recognized more in federal and state grants in fiscal year 2014 partially because of the receivable but also additional funds were received. The Academy also saw total expenses decrease by over eight percent with salaries and benefits offsetting the increase in purchased services.

Cincinnati College Preparatory Academy
Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014
(Unaudited)

Capital Assets

At the end of 2014, the Academy had \$6,049,450 (net of \$2,684,564 in accumulated depreciation) invested in land, buildings, building improvements, furniture, and equipment. Table 3 shows the fiscal year 2014 balances compared to fiscal year 2013:

Table 3
Capital Assets at June 30 (net)

	2014	2013	Change
Building and Improvements	\$5,805,698	\$5,449,979	\$355,719
Furniture and Equipment	243,752	355,631	(111,879)
Vehicles	0	10,580	(10,580)
Totals	<u>\$6,049,450</u>	<u>\$5,816,190</u>	<u>\$233,260</u>

The increase in building and improvements relates to the Academy's purchase of the buildings during the year. For more information on the Academy's capital assets refer to note 5 of the notes to the financial statements.

Debt

At June 30, 2014, the Academy had two building loans, payable and capital leases that totaled of \$1,426,670. The Academy paid down \$1,158,519 of principal on the non-lease obligations. For more information on the Academy's debt refer to Note 7 of the notes to the financial statements.

Current Financial Issues

The Academy continues to increase enrollment annually. The Academy received funding in 2014 based on 909 FTE students, an increase from the final 2013 foundation report. The Academy receives its finances mostly from state aid. As of the November 2014 foundation report, the Academy is now being funded at 954 FTE students resulting an additional \$184,742 of state foundation revenue.

Contacting the Academy's Financial Management

This financial report is designed to provide a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional information contact the Superintendent of the Academy, 1425 Linn Street, Cincinnati, Ohio 45214 or call (513) 684-0777.

**Cincinnati College Preparatory Academy
Hamilton County
Statement of Net Position**

As of June 30, 2014

Assets:

Current assets:

Cash and cash equivalents	\$ 860,140
Accounts receivable	4,653
Intergovernmental receivable	<u>211,123</u>
Total current assets	<u><u>1,075,916</u></u>

Noncurrent assets:

Investment in LLC	1,075,707
Depreciable Capital assets	<u>6,049,450</u>
Total noncurrent assets	<u><u>7,125,157</u></u>

Total Assets 8,201,073

Liabilities:

Current liabilities

Accounts payable	290,961
Due to CCPA East	250,000
Accrued wages and benefits payable	319,106
Intergovernmental	63,619
Interest	4,667
Lease payable - Current	21,190
Current portion of long term debt	<u>157,958</u>
Total current liabilities	<u><u>1,107,501</u></u>

Long-Term Liabilities

Lease payable less current portion	34,411
Long term debt less current portion	<u>1,213,111</u>
Total long-term liabilities	<u><u>1,247,522</u></u>

Total Liabilities 2,355,023

Net Position

Net investment in capital assets	4,622,780
Unrestricted	<u>1,223,270</u>

Total Net Position \$ 5,846,050

See accompanying notes to the basic financial statements

**Cincinnati College Preparatory Academy
Hamilton County
Statement of Revenues, Expenses and Changes in Net Position**

For the Fiscal Year Ended June 30, 2014

Operating Revenues:	
Foundation payments	\$ 6,030,980
Rental	159,705
Classroom fees	6,669
Charges for services	11,514
Other operating revenues	<u>22,430</u>
Total operating revenues	<u>6,231,298</u>
Operating Expenses:	
Salaries	3,072,104
Fringe benefits	875,049
Purchased services	1,345,695
Materials and supplies	144,036
Depreciation	421,093
Other operating expenses	<u>30,505</u>
Total operating expenses	<u>5,888,482</u>
Operating Income	<u>342,816</u>
Non-Operating Revenues and Expenses:	
Federal grants	1,559,542
State grants	132,775
Gain on Investment in LLC	176,792
Interest and fiscal charges	<u>(131,066)</u>
Total non-operating revenues and expenses	<u>1,738,043</u>
Change in net position	2,080,859
Net position at beginning of year	<u>3,765,191</u>
Net position at end of year	<u>\$ 5,846,050</u>

See accompanying notes to the basic financial statements

**Cincinnati College Preparatory Academy
Hamilton County
Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2014

Decrease in cash and cash equivalents

Cash flows from operating activities:

Cash received from State of Ohio - Foundation	\$ 6,030,980
Cash received from rental activity	166,895
Cash received from materials and fees and other charges for services	18,030
Cash received from other operating revenues	24,235
Cash payments for personal services	(3,949,364)
Cash payments for contract services	(1,530,634)
Cash payments for supplies and materials	(193,852)
Cash payments for other expenses	<u>(29,245)</u>
Net cash used for operating activities	<u>537,045</u>

Cash flows from noncapital financing activities:

Cash received from state and federal grants	<u>1,880,133</u>
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Cash flows from capital and related financing activities:

Acquisition of Capital Assets	(654,353)
Principal paid on debt obligations	(1,239,108)
Interest paid on debt obligations	<u>(126,399)</u>
Net cash used by capital and related financing activities	<u>(2,019,860)</u>

Cash flows from investing activities:

Net change in cash and cash equivalents	397,318
Cash and Cash Equivalents at beginning of year	<u>462,822</u>
Cash and Cash Equivalents at end of year	<u><u>860,140</u></u>

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

Operating income	342,816
Adjustments to reconcile operating income to net cash used for operating activities:	
Depreciation	421,093
Change in assets and liabilities:	
Decrease in accounts receivable	8,842
Increase in intergovernmental receivable	(13,199)
Decrease in accounts payable	(243,376)
Decrease in accrued wages and benefits	(42,750)
Increase in intergovernmental payable	<u>63,619</u>

Net cash used for operating activities	<u><u>\$ 537,045</u></u>
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See accompanying notes to the basic financial statements

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Cincinnati College Preparatory Academy
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

1. DESCRIPTION OF THE REPORTING ENTITY

Cincinnati College Preparatory Academy, Hamilton County, Ohio (the Academy), is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the needs of students in grades kindergarten through twelfth. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the school.

Cincinnati College Preparatory Academy qualifies as an exempt organization 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 Academy's tax exempt status.

The Academy was approved for operation commencing July 1, 1999. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The Academy currently has a sponsorship agreement with Kid's Count of Dayton, Inc.

The Academy operates under the direction of a five-member Board of Directors. The Board of Directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The Board of Directors controls the Academy's two instructional/support facilities staffed by certified full time teaching personnel who provide services to 909 students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cincinnati College Preparatory Academy
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The Academy's basic 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. The Academy uses enterprise accounting to track and report on its financial activities. Enterprise fund reporting focuses on the determination of the change in net position, financial position and cash flows.

B. Measurement Focus and Basis of Accounting

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 (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the Academy finances and meets its cash flow needs.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the Academy and its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a five-year forecast, which is to be updated on an annual basis.

D. Cash and Investments

All monies received by the Academy are accounted for by the Academy's treasurer. All cash received is maintained in accounts in the Academy's name. Monies for the Academy are maintained in bank accounts or temporarily used to purchase short-term investments.

For presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

Cincinnati College Preparatory Academy
Hamilton County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Capital Assets and Depreciation

Capital Assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of one thousand dollars. The Academy does not possess any infrastructure.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Building and Improvements	1-50 years
Furniture and Equipment	5 years
Vehicles	5 years

F. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, State Special Education Program and the Poverty Based Assistance Program. Revenues from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements are met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements are met.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Amounts awarded under grants and entitlements for the year ended June 30, 2014 totaled \$7,723,297.

Cincinnati College Preparatory Academy
Hamilton County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisitions, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the certain reported amounts disclosure. Accordingly, actual results may differ from those estimates.

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily the State Foundation program, the State Special Education program and specific charges to the students or users of the Academy. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

3. DEPOSITS AND INVESTMENTS

At June 30, 2014, the carrying amount of the Academy's deposits was \$860,140 and the bank balance was \$932,483. \$682,483 of the bank balance was not covered by Federal Depository Insurance Corporation (FDIC).

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 percent of the carrying value of deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

3. DEPOSITS AND INVESTMENTS (continued)

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

4. RECEIVABLES

Receivables at June 30, 2014, primarily consist of intergovernmental receivables arising from grants, entitlement and shared revenues. All receivables are considered collectable in full. A summary of the principal items of receivables follows:

Intergovernmental	Amount
Casino Shared Revenues	\$22,656
SERS Refund	13,199
Federal Subsidy Food Service	36,916
Title VI-B Grant	14,321
Title I Grant	116,749
Reducing Class Size Grant	7,282
	\$211,123

5. CAPITAL ASSETS

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

	Balance 6/30/13	Additions	Deductions	Balance 6/30/14
Capital Assets Being Depreciated				
Building and Improvements	\$6,897,850	\$633,966	\$0	\$7,531,816
Furniture and Equipment	1,047,693	20,387	0	1,068,080
Vehicles	134,118	0	0	134,118
Total Capital Assets Being Depreciated	8,079,661	654,353	0	8,734,014
Less Accumulated Depreciation				
Building and Improvements	(1,447,871)	(278,247)	0	(1,726,118)
Furniture and Equipment	(692,062)	(132,266)	0	(824,328)
Vehicles	(123,538)	(10,580)	0	(134,118)
Total Accumulated Depreciation	(2,263,471)	(421,093)	0	(2,684,564)
Capital Assets, Net	\$5,816,190	\$233,260	\$0	\$6,049,450

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

6. INVESTMENT IN LIMITED LIABILITY COMPANY (LLC)

West End Cincinnati Victory Partners, LLC, Inc. (Company) is an Ohio limited liability company organized in 2005 under the laws of the State of Ohio to acquire, develop, and improve real estate located in Cincinnati, Ohio for the functional use of its members. The Company was formed by the Academy and the Young Men's Christian Association of Greater Cincinnati (YMCA). Both members are tax-exempt organizations under Section 501 (c) (3) of the Internal Revenue Code.

Based on the Company's operating agreement and the initial capital contributions, CCPA has 75 membership units and the YMCA has 25 membership units. Additional capital contributions were required under the operating agreement to fund the development and improvements to the real estate. Annually, the members, subject to mutual agreement, contribute additional capital to the Company based on operation needs in proportion to their membership units.

The Company will continue to operate until the sale or disposition of the assets of the Company unless terminated earlier according to the terms of the operating agreement.

The Academy accounts for the Company as an equity interest in a joint venture. The Academy's equity interest in the Company is reported in the statement of net position, and the Academy's share of the Company's change in net position is reported in the statement of revenues, expenses and changes in net position.

The YMCA is the managing partner of the Company. The Academy has reported an accounts payable of \$28,151 for their respective share of obligations paid by the YMCA during the year. The Academy also initially funded the Company through an entity contribution of \$750,750 and seen the balance grow to \$1,450,750. The Academy also has an operating deficit of (\$375,043) resulting in an investment of \$1,075,707.

7. DEBT

The Academy has the following outstanding long term obligations as of June 30, 2014.

Description	Balance 06/30/13	Additions	Deletions	Balance 06/30/14	Due Within One Year
(a) Building Loan	\$342,834	\$0	\$342,834	\$0	\$0
(b) Building Loan	676,169	0	29,255	646,914	31,137
(c) Building Loan	649,131	0	24,976	624,155	26,821
(d) Term Loan	51,410	0	51,410	0	0
(e) YMCA Payable	124,444	0	124,444	0	0
(f) Bramble Payable	200,000	0	100,000	100,000	100,000
(g) West End Health Center	485,600	0	485,600	0	0
(h) Capital Lease	136,190	0	80,589	55,601	21,190
Total	<u>\$2,665,778</u>	<u>\$0</u>	<u>\$1,239,108</u>	<u>\$1,426,670</u>	<u>\$179,148</u>

Cincinnati College Preparatory Academy
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

7. DEBT (continued)

- (a) In August 2003, the Academy purchased a building at 1425 Linn Avenue and entered into a mortgage loan for \$790,000 to finance the purchase. The loan is amortized over eighteen years and carries a fixed 3.75% interest rate. The Academy retired the loan during the fiscal year with the additional revenue received.
- (b) In April 2011, the Academy purchased a building at 1515 Linn Avenue and entered into a mortgage loan for \$734,175 to finance the purchase. The loan is amortized over eighteen years and carries a fixed 6.25% interest rate.
- (c) In December 2009, the Academy entered in a construction loan for purchase and renovation to the original building at 1515 Linn Avenue and entered into a mortgage loan for \$734,175 to finance the purchase. The loan is amortized over nineteen years and carries a fixed 7.15% interest rate.
- (d) In February 2010, the Academy entered into a term loan for \$163,333 to finance expenses associated with the renovations and furnishing of the high school building. In February 2011, the Academy entered into another term loan for expenses for the same purpose. The loans are amortized over a four year term at a 5.5% interest rate. The loans were paid off during the year.
- (e) In April 2004, the Academy signed a note payable for \$700,000 to it's co-investor in the LLC (YMCA payable) for leasehold improvements to the building which the LLC owns. The note is non-interest bearing with equal quarterly installments beginning in August 2007. Based on information provided, the Academy retired their obligation to the YMCA during the fiscal year.
- (f) In October 2010, the Academy entered into an agreement with Bramble Investments LLC for the purchase of the building at 4324 Homer Avenue. The Academy paid an initial \$100,000 with the \$400,000 balance financed over a four year period. The payments are interest only through November 2012 with \$100,000 due in October 2012 and 2013 and the balance in October 2014. The loan carries an 8% interest rate on the outstanding balance. The Academy has made one principal payment of \$100,000 during the fiscal year.
- (g) In March 2011, the Academy into a lease purchase agreement for 1413 Linn Street. The Academy paid \$10,300/monthly towards the principal balance with the difference in maximum rental payment being applied to the actual interest expense on other mortgages held by the West End Health Center. The lease had a final maturity of April 30, 2017; however, the Academy paid off the balance on April 11, 2014.
- (h) In July 2011, the Academy entered into a capital lease with Hewlett-Packward for the purchase of computer equipment. The lease is for five years and carries an implicit interest rate of 4.94%. The Academy also has a capital lease with US Bank Equipment Finance for copiers and computer equipment.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

7. DEBT (continued)

Estimated principal and interest requirements to retire long term debt, including notes and loans outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,	Long Term Payables		
	Principal	Interest	Total
2015	\$157,958	\$83,310	\$241,268
2016	61,942	79,325	141,267
2017	66,202	75,065	141,267
2018	70,756	70,511	141,267
2019	75,625	65,642	141,267
2020-2024	463,800	242,538	706,338
2025-2029	474,786	65,334	540,120
Total	\$1,371,069	\$681,725	\$2,052,794

8. CAPITAL LEASES PAYABLE

In prior years, the Academy entered into a capital lease for apple computers and other equipment totaling \$208,866. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenses on the financial statements. These expenses are reflected as program expenses on a budgetary basis. Principal payments in fiscal year 2014 totaled \$80,589 and interest payments of \$2,258.

The following is a schedule of the future minimum lease payments required under the capital leases as of June 30, 2014:

Fiscal Year Ending June 30,	Capital Leases Payable		
	Principal	Interest	Total
2015	\$21,190	\$56	\$21,246
2016	13,298	0	13,298
2017	13,298	0	13,298
2018	7,815	0	7,815
Totals	\$55,601	\$56	\$55,657

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

9. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2014, the Academy contracted with the O'Neil Group for general liability, property and educational errors and omissions insurance. Coverage provided includes the following with a \$1,000 deductible in total:

General Liability (no deductible):	
Per occurrence	\$1,000,000
Total per year	2,000,000
Building and Contents	1,000,000
Boiler and Machinery	1,000,000
Business Personal Property	1,000,000
Educational Errors and Omissions	1,000,000

Settled claims have not exceeded coverage in the past three years. There has been no significant change in coverage from last year.

B. Worker's Compensation

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

10. DEFINED BENEFIT PENSION PLANS

A. School Employee Retirement System

Plan Description – The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plans. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll free 1-800-878-5853. It is also posted at the SERS' website at www.ohsers.org under Employer/ Audit Resources.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

10. DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. 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 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 and Health Care Fund.) of the System. For the fiscal year ending June 30, 2014, the allocation to pension and death benefits is 13.10 percent. The remaining 0.90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$71,267, \$97,346, and \$127,614, respectively; 100% has been contributed for 2014, 2013 and 2012 fiscal years.

B. State Teachers Retirement System

Plan Description – The Academy contributes to the State Teachers Retirement System of Ohio (STRS Ohio), which is a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report, which may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

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

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

10. DEFINED BENEFIT PENSION PLANS (continued)

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

Funding Policy - For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2013, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations for the fiscal years ended June 30, 2014, 2013, and 2012 were approximately \$212,491, \$292,061, and \$263,155, respectively; 100% has been contributed for 2014, 2013 and 2012 fiscal years. Contributions to the DC and Combined Plans for fiscal year 2014 were \$5,167 made by the Academy and \$4,060 made by the plan members.

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

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

Medicare Part B

Medicare B plan reimburses Medicare B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits 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 premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could go as high as \$335.70 per month depending on their income. SERS' reimbursement for 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 B Fund, For fiscal 2014, the actuarial required allocation is 0.76 percent the Academy's contributions for the years ended June 30, 2014, 2013, and 2012 were \$4,135, \$5,145, and \$6,646, respectively, 100 percent for fiscal years 2014, 2013 and 2012.

Cincinnati College Preparatory Academy
Hamilton County

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

11. POSTEMPLOYMENT BENEFITS (continued)

Health Care Plan

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions.

The Health Care Fund was established under, and is administered in accordance with the Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation is 0.14 percent. An additional health care surcharge on employers is collected for employees earning less than the actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

For the fiscal year June 30, 2014, the minimum compensation level was established at \$20,250. The surcharge added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the year ended June 30, 2014, 2013 and 2012, was \$762, \$1,113 and \$4,874, respectively, 100 percent for fiscal years 2014, 2013 and 2012.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on the SERS' website www.ohsers.org under Employers/Audit Resources.

Cincinnati College Preparatory Academy
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

11. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy’s contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$16,345, \$22,466, and \$20,243, respectively; 100 percent for fiscal years 2014, 2013 and 2012.

12. OTHER EMPLOYEE BENEFITS

The Academy provides life and medical/surgical and dental benefits to most employees through United Health Care of Ohio and Dental Care Plus.

13. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2014.

Cincinnati College Preparatory Academy
Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

14. PURCHASED SERVICES

For the period July 1, 2013 through June 30, 2014, purchased service expenses were payments for services rendered by various vendors, as follows:

Professional and Technical Services	\$610,323
Utilities	145,625
Food Service	392,054
Communications	31,406
Property Services	138,331
Other	27,956
Total Purchased	\$1,345,695

15. RELATED PARTY TRANSACTIONS

ROAR Education, also known as Education Catalysts, an entity formed to provide training to school operators, teachers and staff, was operated from the same location at the Academy during 2014 and did not pay for use of the facilities.

Board Member Ron Gore was also on the YMCA Board.

An agreement was entered into in February 2005 between the YMCA and the Academy to form “West End Cincinnati Victory Partners.” The Company owns and maintains the building which the Academy and the YMCA occupy. The Academy has a 52% equity interest in the Company at June 30, 2014.

Eleven payments were made during the fiscal year to the YMCA for \$124,444, of which Joe Calloway, Board Member, is the YMCA Executive Director.

16. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association - The Academy is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The Academy made a total of \$21,903 in payments to MDECA for fiscal and EMIS services provided during the fiscal year. Financial information can be obtained from Dean Reinke, who serves as executive director, at 225 Linwood Street, Dayton, Ohio 45405.

**Cincinnati College Preparatory Academy
Hamilton County**

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

17. SUBSEQUENT EVENTS

In 2013, the Academy financed the purchase of a school building with Glenn Scherzinger. The Cincinnati College Preparatory Academy East (CCPA East), a separate community school, rented the building from the Academy and made on behalf payments of \$250,000 to fulfill the Academy's debt obligations. At June 30, 2014, the Academy reported a payable to CCPA East. The Academy repaid CCPA East \$250,000 in February 2015, and CCPA East subsequently purchased the building from the Academy in March 2015.

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**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

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

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
National School Breakfast	3L70	10.553	118,380	103,848
National School Lunch	3L60	10.555	354,748	311,198
Total U.S. Department of Agriculture			473,128	415,046
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Special Education - Grants to States	3M20	84.027	163,644	156,283
Title I Grants to Local Educational Agencies	3M00	84.010	1,072,740	809,284
Race to the Top (Resident Educator)	3FD0	84.395	2,100	2,100
Improving Teacher Quality State Grants	3Y60	84.367	36,419	39,251
Total U.S. Department of Education			1,274,903	1,006,918
Total Federal Awards Receipts and Expenditures			\$1,748,031	\$1,421,964

The accompanying notes are an integral part of this schedule.

**CINCINNATI COLLEGE PREPARATORY ACADEMY
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 Cincinnati College Preparatory Academy's (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.



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*

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

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 the Cincinnati College Preparatory Academy, Hamilton County, (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 April 13, 2017. Our report refers to other auditors who audited the financial statements of the West End Cincinnati Victory Partners, LLC as it relates to the amount included for the Investment in LLC and the Increase in Investment in LLC as described in our report on the Academy's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors separately reported. The financial statements of the West End Cincinnati Victory Partners, LLC 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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

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*.

Academy's Response to Finding

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Academy's responses and, accordingly, we express no opinion on them.

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.



Dave Yost
Auditor of State

Columbus, Ohio

April 13, 2017



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

Cincinnati College Preparatory Academy
Hamilton County
1425 Linn Street
Cincinnati, Ohio 45214

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Cincinnati College Preparatory Academy's (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 each of the Cincinnati College Preparatory Academy's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Academy's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Academy's compliance for each of the Academy's major federal programs 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 programs. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cincinnati College Preparatory Academy complied in all material respects with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings. This finding does not require us to modify our compliance opinion on the major federal program.

The Academy's response to our noncompliance finding is described in the accompanying schedule of findings and corrective action plan. We did not audit the Academy's response and, accordingly, we express no opinion on it.

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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying schedule of findings as item 2014-002.

Cincinnati College Preparatory Academy
Hamilton County
Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133
Page 3

The Academy's response to our internal control over compliance finding is described in the accompanying schedule of findings. 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.

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

April 13, 2017

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**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	Title I: 84.010 Child Nutrition Cluster: 10.553, 10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

Material Weakness– Posting Transactions

<i>Finding Number</i>	2014-001
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All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transaction, maintain accountability for the related assets and liabilities, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Ohio Administrative Code.

The Academy did not accurately post transactions in the accounting system and/or financial statements.

We identified the following conditions related to the accounting system and/or the financial statements:

- Audit fees were not posted as expenses in the amount of \$48,000 causing expenses to be understated and state foundation receipts to be understated;
- Long term debt less current portion was overstated by \$500,000; purchased services was overstated by \$242,800; materials and supplies were overstated by \$242,800; and other operating expenses were overstated by \$14,400.
- Net investment in capital assets was overstated by \$30,657.
- Capital lease payments were recorded as expenses rather than a liability in the amount of \$39,656.
- Depreciation expense was understated by \$15,484 and depreciable capital assets were overstated by \$15,484.

The financial statements have been corrected for the above items.

We recommend due care be exercised when posting entries to the financial records and financial statement preparation to prevent errors and assist in properly reflecting the Academy's financial activity in the financial statements and properly disclose all activities of the financial statements as required. Failure to accurately post financial activity can lead to material misstatements in financial reporting, and increases the risk that financial statements are materially misstated and that users of the financial statements will make decisions based on materially inaccurate financial information.

Officials' Response:

The Academy has taken steps necessary to require double-checks for posting entries to the financial records and financial statements.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2014-002

Noncompliance/Significant Deficiency – Procurement and Suspension and Debarment

Finding Number	2014-002
CFDA Title and Number	CFDA 10.553, 10.555 Child Nutrition Cluster
Federal Award Identification Number / Year	2014
Federal Agency	U.S. Department of Agriculture
Pass-Through Entity	Ohio Department of Education

7 CFR 3016.36 requires that all procurement transactions shall be conducted in a manner providing for full and open competition. The recipient shall maintain records sufficient to detail the significant history of procurement. These records will include, but are not necessarily limited to the following: rationale for the method of the procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Awards shall be made to the responsible bidder whose bid, conforming with the material items and conditions of the invitation for bids, is the lowest price. Any and all bids or offers may be rejected if there is a sound documented reason.

Furthermore, based on the Policies of the Governing Authority of Cincinnati College Preparatory Academy Section 148.8 Federal Grants Procurement, Monitoring and Administration, the Academy is required to follow certain policies when the Academy expends federal grant funds to purchase property or obtain services. These policies include:

A. Competition. To the extent required by law, the Academy shall use procurement methods that provide for full, free, and open competition and comply with the federal procurement regulations. The Academy shall award the contract to the party whose bid or proposal, after considering all appropriate facts, is most advantageous to the Academy if the Academy solicits bids or competitive proposals to secure property or services.

B. Procurement Procedures. To the extent required by law:

. . . 4. The Academy shall ensure that its solicitations for goods and services contain the descriptions and provide the other information required under the applicable federal regulations.

. . . 6. The Academy shall create and maintain records that document the procurement process that the Academy followed in each procurement transaction, including the rationale for utilizing the selected procurement method, the basis for awarding the contract, the justification for lack of competition if competitive bids or offers are not sought and the basis for award cost or price . . .

. . 7. The Academy shall make its procurement records available for review by the appropriate federal officials. . .

C. Contract Provisions. Procurement contracts shall, at minimum, include the terms and conditions that are required by the applicable federal procurement regulations. To the extent required by law, the Academy shall require that the person awarded a contract satisfy the bonding requirements set forth in the applicable federal regulations.”

**FINDING NUMBER 2014-002
(Continued)**

The Academy solicited bids for the 2014 catered meal contract, and entered a contract with Dad's Catering Service for breakfast and lunch. However, the Academy did not maintain documentation for the selection process for awarding the contract to Dad's Catering.

Failure to ensure that a full, free and open competition takes place and that the Academy meets all bidding requirements could lead to the Academy expending unnecessary monies for services that could be performed at a lower cost to the Academy and still meet the Academy's expectations.

We recommend that the Academy consult with their legal counsel to review the requirements of 7 CFR. 3016.36. In addition, the Academy should review all solicited bids and award bids in accordance with the Policies of the Governing Authority of Cincinnati College Preparatory Academy Section 148.8 Federal Grants Procurement, Monitoring and Administration and maintain proper documentation for the solicited bids and determination for selecting the bid awarded the contract.

Officials' Response:

The Academy has plans in place to consult with legal counsel to review the requirements of 7 CFR 3016.36 and to review all solicited bids and awards in accordance with Section 148.8 Federal Grants Procurement, Monitoring and Administration.

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	Finding for Recovery – Lisa Hamm: Improper Payments	No	Not Corrected – Payments not made to the Academy
2013-002	Finding for Recovery – Lisa Hamm: Improper Payments	No	Not Corrected – Payments not made to the Academy
2013-003	Finding for Recovery – Elizabeth Horter: Improper Payments	No	Not Corrected – Payments not made to the Academy
2013-004	Finding for Recovery – Stephanie Millard: Improper Payments	No	Not Corrected – Payments not made to the Academy
2013-005	Finding for Recovery – Lisa Hamm: Improper Payments	No	Not Corrected – Payments not made to the Academy
2013-006	Finding for Recovery – Guyton Matthews: Improper Payments	No	Not Corrected – Payments not made to the Academy
2013-007	Finding for Recovery – Steve Ellison: Improper Payments	No	Not Corrected – Payments not made to the Academy
2013-008	Finding for Recovery – Angel Morgan: Improper Payments	No	Not Corrected – Payments not made to the Academy
2013-009	Finding for Recovery – Edna Jones: Improper Payments	No	Not Corrected – Payments not made to the Academy
2013-010	Noncompliance/Material Weakness – Posting Transactions	No	Not Corrected – Reissued as Finding 2014-001
2013-011	Significant Deficiency – Management Controls	Yes	
2013-012	Noncompliance/Significant Deficiency – Compilation Controls	Yes	
2013-013	Noncompliance/Material Weakness – Cash Management, Reporting, Title I	Yes	
2013-014	Noncompliance/Material Weakness – Cash Management, Reporting, Child Nutrition Cluster	Yes	

Cincinnati College Preparatory Academy
Hamilton County
Schedule of Prior Audit Findings
Page 2

2013-015	Noncompliance/Material Weakness/Questioned Costs – Activities Allowed or Unallowed, Allowable Costs, Title I	Yes	
2013-016	Noncompliance – Procurement, Suspension, and Debarment, Child Nutrition Cluster	No	Not Corrected – Reissued as Finding 2014-002
2013-017	Noncompliance/Material Weakness – Activities Allowed or Unallowed, Allowable Costs, Title I	Yes	

**CINCINNATI COLLEGE PREPARATORY ACADEMY
HAMILTON COUNTY**

**FISCAL YEAR 2014 CORRECTIVE ACTION PLAN
JUNE 30, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-001	The School has taken steps necessary to require double-checks for posting entries to the financial records and financial statements.	7/1/14	Doug Mangen
2014-002	The School has plans in place to consult with legal counsel to review the requirements of 7 CFR. 3016.36 and to review all solicited bids and awards in accordance with Section 148.8 Federal Grants Procurement, Monitoring and Administration.	9/30/14	Doug Mangen

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Dave Yost • Auditor of State

CINCINNATI COLLEGE PREPARATORY ACADEMY

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
MAY 4, 2017**