Financial Audit Reports for Each Charter School

21st CENTURY CHARTER SCHOOL @ GARY, INC.

FINANCIAL STATEMENTS
June 30, 2014

Financial Audit Reports for Each Charter School

21ST CENTURY CHARTER SCHOOL @ GARY, INC.

FINANCIAL STATEMENTS
June 30, 3014

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Crowe Horwath

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors
21st Century Charter School @ Gary, Inc.
Gary, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of 21st Century Charter School @ Gary, Inc. (the School), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 21st Century Charter School @ Gary, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, an error in the prior year was discovered by management of the School during the current year. An adjustment has been made to net assets as of July 1, 2013 to correct those errors. Our opinion is not modified with respect to that matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 30, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis. Indiana
October 30, 2014

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2014

	2014
ASSETS	
Cash and cash equivalents	$ 38,248
Restricted cash	1,809,653
Grants receivable	480,633
Prepaid expenses	19,294
Due from related parties (Note 4)	75,849
Bond issue costs	716,365
Property and equipment, net (Note 2)	12,230,181
Total assets	$ 15,370,223
LIABILITIES AND NET ASSETS	
Accounts payable and accrued expenses	$ 562,901
Due to related parties (Note 4)	272,441
Bonds and notes payable (Note 3)	13,521,254
Total liabilities	14,356,596
Net Assets	
Unrestricted	1,013,627
Total liabilities and net assets	$ 15,370,223

See accompanying notes to financial statements.

3.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	2014
Public support and revenues	
Federal grants	$ 1,876,414
State and local grants	4,911,289
Rental Income	300,000
Loss on disposal of equipment	(20,514)
Total revenue and support	7,067,189
Expenses	
Federal grant funded program activities	1,534,947
State and local grant funded program activities	2,434,160
School operations and building services	2,049,940
Education supporting services	450,000
Total program expenses	6,469,047
Management and general	26,512
Total expenses	6,495,559
Change in net assets	571,630
Net assets as of July 1, 2013	(353,376)
Prior period adjustment (Note 1)	795,373
Net assets as of July 1, 2013 (as restated)	441,997
Net assets, end of year	$ 1,013,627

See accompanying notes to financial statements.

4.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

	2014
Cash flows from operating activities	
Change in net assets	$ 571,630
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	568,568
Loss on disposal of property and equipment	20,514
Change in assets and liabilities:	
Grants receivable	(311,202)
Prepaid expenses	(19,294)
Due to/from related parties	290,944
Accounts payable and accrued other expenses	(6,815)
Net cash from operating activities	1,114,345
Cash flows from investing activities	
Purchases of property and equipment	(7,276,607)
Proceeds from restricted cash	6,026,290
Net cash from investing activities	(1,250,317)
Cash flows from financing activities	
Principal payments on notes payable	(79,602)
Net cash used by financing activities	(79,602)
Net change in cash and cash equivalents	(215,574)
Cash and cash equivalents, beginning of year	253,822
Cash and cash equivalents, end of year	$ 38,248
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	$ 370,979

See accompanying notes to financial statements.

5.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: 21st Century Charter School @ Gary. Inc. (the School) is a nonprofit corporation established to operate a charter school. The School is dedicated to ensure that all students show growth in character, academics, life skills, the arts, and wellness using teaching skills tailored to meet the needs of each student.

The School was established under the laws of the State of Indiana, and operates under a Board of School Directors form of government. The financial statements of the School are consolidated into the Greater Education Opportunities Foundation (GEOF) financial statements due to economic control.

Method of Accounting: The School maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The School is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the School is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The School has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit will be recorded.

The School is no longer subject to examination by taxing authorities for years before 2011. The School does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The School recognizes interest and/or penalties related to income tax matters in income tax expense. The School did not have any amounts accrued for interest and penalties at June 30, 2014.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to $250,000. For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Restricted Cash: Restricted cash consists of funds held in trust accounts for capital expenditures and debt service reserves.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. The School does not accrue interest on any of its grants receivables.

Allowances: No allowance for doubtful accounts is recorded as of June, 30, 2014. The allowances are based upon prior experience and management's analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The School currently considers all receivables to be fully collectible.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Expenditures for property and equipment and items in excess of $500 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements	39 years
Property and equipment	3-7 years

Impairment of Long-Lived Assets: In accordance with GAAP, the School reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2014, management believes that no impairment exists.

Bond issuance costs: All fees and other costs relative to the issuance of the tax-exempt bonds have been recorded as an asset and amortized over the life of the related bonds. Accumulated amortization as of June 30, 2014 is $99,929.

Fair Value of Financial Instruments: Cash and cash equivalents and accounts payable approximate fair value because of the short maturity of these instruments. Grants receivable are not readily marketable. The School has estimated their fair value to be the carrying value. The carrying value of all the School's financial instruments, approximate fair value, except for bonds and notes payable. The fair value of the School's bonds and notes payable is estimated based on quoted market prices for the same or similar issues. The fair value of bonds and notes payable for the bondholders at June 30, 2014 was approximately $13,379,546.

The fair values of financial instruments other than investments, which include the items listed in the preceding paragraph, are based on a variety of factors. In some cases, fair values represent quoted market prices for identical or comparable instruments (Level 1 inputs - market approach). In other cases, fair values have been estimated based on assumptions about the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of risk (Level 2 inputs - income approach). Accordingly, the fair values may not represent actual values that could have been realized at year-end or that will be realized in the future.

Basis of Presentation: The School follows GAAP and reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the School. The unrestricted net assets of the School may be used at the discretion of management to support the School's purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes assets of the School related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. The School had no temporarily restricted net assets as of June 30, 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets of the School related to contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School had no permanently restricted net assets as of June 30, 2014.

Federal and State Grants: Support funded by grants is recognized as the School performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the School's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional and Allocated Expenses: Expenses are charged directly to activities when specifically identifiable. All other costs are allocated to the activities based upon various actual statistical bases. Salaries and related expenses are charged based on the relative amount of time historically spent by personnel.

Advertising: The School expenses advertising costs as incurred. During 2014, expenses totaling $17,135 were incurred for advertising.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2014, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2014. Management has performed their analysis through October 30, 2014, the date the financial statements were issued.

Restatement: During 2014, management determined that the previously issued financial statements in conformity with accounting standards adopted by the Governmental Accounting Standards Board (GASB) were incorrect. Management believes, that based on the governance structure of the School, the financial statements of the School should be accounted for under standards adopted by the Financial Accounting Standards Board (FASB). The only material change affecting net assets from the prior presentation relate to the accounting for bond issuance costs, which were previously expensed under GASB Statement No. 65. The impact of the restatement on the 2013 change in net assets would have been an increase of $795,373. Unrestricted net assets have been restated by $795,373 to capitalize the net unamortized bond issuance costs at July 1, 2013 as follows:

	Unrestricted Net Assets
July 1, 2013 net assets	$ (353,376)
Restatement- basis of accounting	795,373
July 1, 2013 net assets, as restated	$ 441,997

NOTE 2 - PROPERTY AND EQUIPMENT

At June 30, the carrying value of land, buildings and building improvements, and equipment, consists of the following:

	2014
Land	$ 296,500
Building and building improvements	11,261,897
Equipment	2,189,744
	13,277,579
Less: accumulated depreciation	(1,517,961)
	$ 12,230,181

Depreciation expense for the year ended June 30, 2014 was $489,560. Interest incurred on construction related debt in the amount of $470,563 was capitalized during 2014 and is included in property and equipment as of June 30, 2014.

NOTE 3 – BONDS AND NOTES PAYABLE

Bonds and notes payable consisted of the following at June 30, 2014:

Series 2013A bonds payable, maturing in March 2033, including interest computed at 6%, secured by Real Estate Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, and Trust Accounts and interest in the Project, as defined in the Loan Agreement dated February 1, 2013.	$ 5,525,000
Series 2013A bonds payable, maturing in March 2043, including interest computed at 6.25%, secured by Real Estate Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, and Trust Accounts and interest in the Project, as defined in the Loan Agreement dated February 1, 2013.	7,355,000
Series 2013B bonds payable, maturing in March 2018, including interest computed at 7%, secured by Real Estate Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, and Trust Accounts and interest in the Project, as defined in the Loan Agreement dated February 1, 2013.	620,000
Note payable to GEO Foundation for the lease of computer equipment, payable in monthly payments with an imputed interest rate of 9.50% through maturity in July 2014.	20,154
Loan payable in monthly installments, including interest computed at 5.45%, through maturity in August 2014. Secured by equipment.	1,100
Total bonds and notes payable	$ 13,521,254

NOTE 3 – BONDS AND NOTES PAYABLE (Continued)

The estimated future principal payments due on long term debt are:

2015	$	196,254
2016		190,000
2017		205,000
2018		215,000
2019		230,000
Thereafter		12,485,000
	$	13,521,254

Total interest expense during the year ended June 30, 2014 was $370,318. The School has various financial and nonfinancial covenants associated with the debt obligations, for which they reported compliance as of June 30, 2014.

NOTE 4 - RELATED PARTY TRANSACTIONS

The School has a management agreement with the Greater Educational Opportunities Foundation (GEOF). Under the management agreement, GEOF charges administrative and per student fees in exchange for the management, operation, administration, payroll and accounting services provided. During the year ended June 30, 2014, the School paid GEOF fees of $350,000. As part of the management services provided, GEOF acts as the payor of certain operating expenses, which are reimbursed to GEOF by the School. The School's board retains final authority and responsibility for financial and budgetary commitments. At June 30, 2014, the School has a payable to GEOF for $218,530 for various transactions and a receivable from GEOF in the amount of $74,973 for overpayment of administrative fees. There is also a notes payable to GEOF as disclosed in Note 3.

The School leases space to Gary Middle College, Inc. which expires on June 30, 2015. Rent income totaled $300,000 for the year ended June 30, 2014. The School has a receivable from Gary Middle College, Inc. of $876 and a payable to Gary Middle College, Inc. for $2,111 as of June 30, 2014, for various transactions from the rental agreement.

The School also has a related party payable to Pike's Peak Prep, another school managed by GEOF, in the amount of $51,800 for an educational software license.

NOTE 5 - CHARTER AGREEMENT

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Ball State University an annual administrative fee equal to 3% of State tuition support, along with other licensing fees. Payments under this charter agreement were $87,341 for the year ended June 30, 2014.

NOTE 6 - PENSION PLANS

The School's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants may contribute to the plan. There were no employer matching contributions to the plan for the year ended June 30, 2014.

The School also participates in the Public Employment Retirement Fund (PERF) and the Teacher's Retirement Fund (TRF). Employees are required to contribute 3% of gross wages to their respective plan. The School is required to contribute 7.5% to TRF and 10.0% to PERF, respectively. The School's expense for the year ended June 30, 2014 was $97,056.

Financial Audit Reports for Each Charter School

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/ Program Title	CFDA Number	Pass Through Number	Total Federal Expenditures
U.S. Department or Education			
Passed through the Indiana Department of Education			
Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	FY 2012-2013	$ 41,170
Title I Grants to Local Educational Agencies	84.010	FY 2013-2014	664,325
Total for Title I Grants to Local Educational Agencies			705,495
Special Education			
Special Education – Grants to States	84.027	FY 2012-2013	18,046
Special Education – Grants to States	84.027	FY 2013-2014	91,949
Total for Special Education – Grants to States			109,995
School Improvement Grants			
School Improvement Grants, ARRA	84.388	FY 2012-2013	263,659
School Improvement Grants, ARRA	84.388	FY 2013-2014	694,455
Total for School Improvement Grants, ARRA			958,114
Total Expenditures of Federal Awards			$ 1,773,604

See accompanying note to the Schedule of Expenditures of Federal Awards

12.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

NOTE 1 - BASIS OF PRESENTATION

This schedule includes the federal awards activity of 21st Century Charter School @ Gary, Inc. and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

13.

Financial Audit Reports for Each Charter School

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

Financial Audit Reports for Each Charter School

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Central Indiana Military Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 entity'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 entity'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.

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Member of American Institute of Certified Public Accountants

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 Central Indiana Military Academy, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014, on our consideration of Central Indiana Military Academy, Inc.'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 Central Indiana Military Academy, Inc.'s internal control over financial reporting and compliance.

Indianapolis, IN
November 20, 2014

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 790,380	943,065
Grants receivable	39,758	37,491
Prepaid expenses	70,556	61,564
Total current assets	900,694	1,042,120
Property and equipment:		
Land	320,000	320,000
Buildings and improvements	2,635,346	2,588,095
Furniture and equipment	1,256,740	1,184,671
Textbooks	137,197	134,325
Vehicles	41,750	26,950
Less: accumulated depreciation	(1,504,480)	(1,135,337)
Property and equipment, net	2,886,553	3,118,704
	$ 3,787,247	4,160,824
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 478,393	471,886
Current portion of long-term debt	101,474	95,705
Current portion of capital lease obligations	139,790	152,589
Total current liabilities	719,657	720,180
Long-term debt	1,768,392	1,874,142
Capital lease obligations	170,113	299,780
Total liabilities	2,658,162	2,894,102
Net assets:		
Unrestricted	1,055,994	1,207,809
Temporarily restricted	73,091	58,913
	1,129,085	1,266,722
	$ 3,787,247	4,160,824

Financial Audit Reports for Each Charter School

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Statements of Activities

	Year Ended June 30, 2014			Year Ended June 30, 2013		
Revenue and Support	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
State education support	$ 5,840,311	-	5,840,311	$ 5,905,970	-	5,905,970
Grant revenue	592,120	-	592,120	771,462	-	771,462
Student fees	127,851	78,667	206,518	143,657	68,376	212,033
Contributions	20,330	6,165	26,495	20,853	-	20,853
Fundraising and other income	154,155	91,293	245,448	275,741	-	275,741
Net assets released from restrictions	161,947	(161,947)	-	9,463	(9,463)	-
Total revenue and support	6,896,714	14,178	6,910,892	7,127,146	58,913	7,186,059
Expenses						
Program services	5,808,547	-	5,808,547	5,584,685	-	5,584,685
Management and general	1,239,982	-	1,239,982	1,167,890	-	1,167,890
Total expenses	7,048,529	-	7,048,529	6,752,575	-	6,752,575
Change in net assets before non-operating revenue	(151,815)	14,178	(137,637)	374,571	58,913	433,484
Non-Operating Revenue						
Gain due to changes in legislative funding	-	-	-	197,144	-	197,144
Increase (decrease) in net assets	(151,815)	14,178	(137,637)	571,715	58,913	630,628
Net assets, beginning of year	1,207,809	58,913	1,266,722	636,094	-	636,094
Net assets, end of year	$ 1,055,994	73,091	1,129,085	$ 1,207,809	58,913	1,266,722

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (137,637)	630,628
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	369,142	405,339
Gain due to changes in legislative funding	-	(197,144)
Change in:		
Grants receivable	(2,267)	(36,715)
Prepaid expenses	(8,992)	(8,896)
Accounts payable and accrued expenses	6,507	159,671
Net cash provided by operating activities	226,753	952,883
Investing Activities		
Purchases of property and equipment	(122,192)	(240,319)
Net cash used by investing activities	(122,192)	(240,319)
Financing Activities		
Net repayments on line of credit	-	(72,261)
Principal reduction of capital lease obligations	(157,265)	(145,756)
Principal repayment of long-term debt	(99,981)	(93,794)
Net cash used by financing activities	(257,246)	(311,811)
Net increase (decrease) in cash	(152,685)	400,753
Cash, beginning of year	943,065	542,312
Cash, end of year	$ 790,380	943,065
Supplemental disclosures:		
Equipment obtained under capital leases	$ 14,800	158,448
Cash payments for interest expense	150,928	165,820

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

Grants Receivable

Grants receivable relate primarily to activities funded under federal grants. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Financial Statement Presentation

The School reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.

- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Contributions and Fees

The School receives resources from participation fees and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Central Indiana Military Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Buildings and improvements	10 to 40 years
Furniture and equipment	3 years
Textbooks	4 years
Vehicles	5 years

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through November 20, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	$2,861,915
Repayment of accrued interest on Common School Fund loans.	289,892
	3,151,807
Elimination of School funding	(2,954,663)
	$ 197,144

(3) Revolving Line of Credit

The School has a $100,000 revolving line of credit to provide short-term financing, which is secured by all business assets. Bank advances on the credit line carry an interest rate of .75% above the prime rate. There were no advances outstanding on the line of credit as of June 30, 2014 and 2013.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(4) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 was comprised of:

	2014	2013
Mortgage loan payable to Main Source Bank, payable in monthly installments of $4,370 including interest at 5.5% per annum (adjustable every five years) through July 2026, secured by first and second mortgages on School facilities and all business assets	$ 460,110	486,137
Mortgage loan payable to Main Source Bank, payable in monthly installments of $3,632 including interest at 5.75% per annum (adjustable every five years) through March 2029, secured by a first mortgage on School facilities	403,483	419,219
Mortgage loan payable to IFF, payable in monthly installments of $8,017 including interest at 6% per annum (adjustable every five years) through December 2025, secured by a first mortgage on School facilities and all property contained therein	797,753	844,553
Mortgage loan payable to IFF, payable in monthly installments of $2,025 including interest at 6% per annum (adjustable every five years) through July 2026, secured by a second mortgage on School facilities and all property contained therein	208,520	219,938
	1,869,866	1,969,847
Less: current maturities	(101,474)	(95,705)
	$1,768,392	1,874,142

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(4) Long-Term Debt, Continued

Principal maturities of long-term debt are as follows:

Year Ended June 30:	
2015	$ 101,474
2016	112,059
2017	119,047
2018	126,395
2019	134,199
Thereafter	1,276,692
	$1,869,866

(5) Leases

The School leases various items of equipment under capital leases. At June 30, 2014, the cost and accumulated depreciation relating to these assets were $765,680 and $673,123, respectively ($750,880 and $475,305 at June 30, 2013).

Following is a schedule of future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2014:

Year Ended June 30:	
2015	$156,348
2016	155,319
2017	19,604
2018	3,226
	334,497
Less: amount representing interest	(24,594)
	$309,903

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(5) Leases, Continued

The School also leases various items of equipment under operating leases. Total expense under these operating leases for 2014 and 2013 was $50,558 and $80,868, respectively. Minimum future rental payments as of June 30, 2014 for all operating leases with initial, noncancellable lease terms in excess of one year are as follows:

Year ending June 30:	
2015	$6,454
2016	2,433
2017	949

(6) Retirement Plans

Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. For the years ended June 30, 2014 and 2013, the School contributed 7.5% of compensation for all participating personnel to TRF. All other employees are eligible to participate in a 403(b) plan offered through the Indiana Public Charter School Association. Under this plan, the School contributes 6% of compensation as defined. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2014 or 2013. These plans cover substantially all full-time employees. Retirement plan expense was $225,357 and $188,009 for the years ended June 30, 2014 and 2013, respectively.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were $119,388 and $81,136 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

The School executed a service contract for network and technology services. Under this contract, the School has committed to make annual payments of $75,768 through April 1, 2015 with the option to purchase additional services for which the School is billed as services are provided. The School has the option to terminate the agreement with 30 days notice. Payments under this agreement were $79,399 and $74,210 for the years ended June 30, 2014 and 2013, respectively.

(8) Risks and Uncertainties

The School provides education instruction services to families residing in Madison and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at MainSource Bank and Old National Bank and are insured up to the FDIC insurance limit.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(9) Accounting Correction

In 2014, it was determined that certain participant fees and revenue from fundraising events contained the characteristics of temporarily restricted net assets. These resources were provided with the intent that they be used for the specific school activity designated by the donor. This correction in accounting has been made by restating the financial statements for 2013 to reflect the classification of such assets as temporarily restricted. The correction had no effect on total net assets or the change in total net assets for 2013.

(10) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and/or service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 3,151,503	628,086
Employee benefits	824,819	150,538
Professional services	243,284	127,276
Staff development	15,381	7,022
Authorizer oversight fee	-	119,388
Transportation	2,406	-
Property rental and maintenance	315,489	-
Classroom, kitchen and office supplies	317,404	22,907
Occupancy	422,407	-
Depreciation	369,142	-
Interest	115,864	35,064
Insurance	-	102,399
Other	30,848	47,302
	$ 5,808,547	1,239,982

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 3,028,317	528,973
Employee benefits	721,904	117,322
Professional services	293,965	108,301
Staff development	16,295	9,730
Authorizer oversight fee	-	81,136
Transportation	391	-
Property rental and maintenance	282,435	-
Classroom, kitchen and office supplies	320,190	38,162
Occupancy	385,879	-
Depreciation	405,339	-
Interest	122,733	157,564
Insurance	-	88,110
Other	7,237	38,592
	$ 5,584,685	1,167,890

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555		$ 75,926
U.S. DEPARTMENT OF EDUCATION			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	13-9790	26,653
		14-9790	281,061
Special Education Cluster			
Special Education - Grants to States	84.027	14213-521-PN01	66,049
		14214-521-PN01	56,691
Improving Teacher Quality State Grants	84.367		9,484
Total for federal grantor agency			439,938
Total federal awards expended			$ 515,864

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy ("the School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Fitzgerald | Isaac LLC
Certified Public Accountants

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*

The Board of Directors
Central Indiana Military Academy, Inc.

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 **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy** (the "School"), which comprise the statements of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 20, 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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, IN
November 20, 2014

Fitzgerald | Isaac LLC
Certified Public Accountants

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

The Board of Directors
Central Indiana Military Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy**'s (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2014. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Central Indiana Military Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

Indianapolis, IN
November 20, 2014

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditor's report issued on compliance for major program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	Yes

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Other Reports

Year Ended June 30, 2014

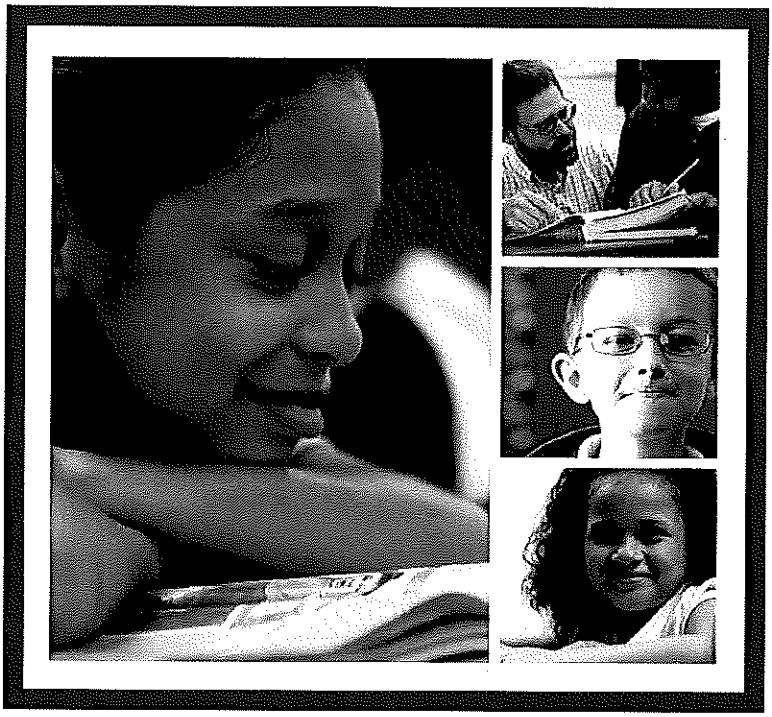
The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Central Indiana Military Academy, Inc.
d/b/a Anderson Preparatory Academy

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Financial Audit Reports for Each Charter School

ASPIRE CHARTER ACADEMY



Financial Statements as of and for the Year Ended June 30, 2014, Required Supplemental Information and Additional Information for the Year Ended June 30, 2014, Federal Awards Supplemental Information for the Year Ended June 30, 2014 and Independent Auditors' Reports

National Heritage Academies

Financial Audit Reports for Each Charter School

ASPIRE CHARTER ACADEMY

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Financial Audit Reports for Each Charter School

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Independent Auditor's Report

To the Board of Directors
Aspire Charter Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining funds of Aspire Charter Academy (the "Academy'), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Aspire Charter Academy'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 opinions 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 entity'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 entity'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 opinions.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Directors
Aspire Charter Academy

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining funds of Aspire Charter Academy as of June 30, 2014, and the respective changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, 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, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aspire Charter Academy's basic financial statements. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors
Aspire Charter Academy

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2014 on our consideration of Aspire Charter Academy'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 Aspire Charter Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 28, 2014

ASPIRE CHARTER ACADEMY

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

The discussion and analysis of Aspire Charter Academy's (the "Academy") financial performance provides an overall review of the Academy's financial activities as of and 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. It should be read in conjunction with the financial statements and notes to the financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy financially as a whole. The Academy-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the Academy-wide financial statements by providing information about the Academy's most significant fund— the General Fund — with the other funds presented in one column as the nonmajor funds.

Management's Discussion and Analysis
(Required Supplemental Information)

Basic Financial Statements

Academy-wide Financial Statements Fund Financial Statements

Notes to Basic Financial Statements

(Required Supplemental Information)
Budgetary Information for the Governmental Funds

(Additional Information)
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

Reporting the Academy as a whole - Academy-wide Financial Statements

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

The Academy's Statement of Net Position — the difference between assets and liabilities, as reported in the Statement of Net Position — is one way to measure the Academy's financial position. The relationship between revenues and expenses is the Academy's operating results. The Academy's goal is to provide services to our students, not to generate profits as private sector companies do. One must consider nonfinancial factors, such as the quality of the education provided and the safety of the Academy, to assess the overall health of the Academy.

The Statement of Net Position and the Statement of Activities report the activities of the Academy, all of which are classified as governmental. These activities encompass all the Academy's services, including instruction, support services and food services. State aid (based on student count) and state and federal grants finance most of these activities. The Academy has entered into a services agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

Reporting the Academy's Fund Financial Statements

The Academy's fund financial statements provide detailed information about the most significant funds — not the Academy as a whole. Some funds are required to be established by state law. However, the Academy establishes other funds to help it control and manage money for particular purposes or as required by state law (the School Lunch Fund is an example). The governmental funds of the Academy use the following accounting approach:

Governmental Funds — All of the Academy's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting. Only those revenues that are "measurable" and "currently available" are reported. Liabilities are recognized when incurred. The governmental fund statements provide a short-term view of the operations of the Academy and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Academy's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations presented as part of the statements.

The Academy as a Whole

Recall that the Statement of Net Position provides the perspective of the Academy as a whole. The table below provides a summary of the Academy's net position as of June 30:

	2014	2013
Assets:		
Current assets	$ 2,761,997	$ 2,841,305
Capital assets, net of accumulated depreciation	119,852	138,405
Total assets	2,881,849	2,979,710
Liabilities - current	2,712,337	2,786,807
Net position:		
Net investment in capital assets	119,852	138,405
Unrestricted	49,660	54,498
Total net position	$ 169,512	$ 192,903

The unrestricted net position of governmental activities represent the accumulated results of life to date operations. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. The results of the current-year operations for the Academy as a whole are reported in the Statement of Activities, which shows the change in net position.

The results of operations for the Academy as a whole are reported in the summarized Statements of Activities (below) which show the changes in net position for the fiscal years ended June 30:

	2014	2013
Revenues:		
State aid	$ 5,191,707	$ 4,916,218
Operating grants	2,032,442	2,036,188
Charges for meals	13,717	13,538
Total revenues	7,237,866	6,965,944
Expenses—		
Contracted service fee:		
Instruction	3,221,295	6,499,074
Support services	3,635,750	37,919
Food services	385,659	350,409
Depreciation (unallocated)	18,553	25,079
Total expenses	7,261,257	6,912,481
Change in net position	$ (23,391)	$ 53,463

As reported in the statement of activities, the cost of governmental activities was $7,261,257 for 2014. These activities were primarily funded by the Academy's state and local aid (based on student count) and governments that subsidized certain programs with grants.

The Academy experienced a decrease in net position of $23,391. Under the terms of the agreement with NHA, NHA provides a spending account to the board of directors for discretionary expenditures on an annual basis. The primary reason for the change in net assets is the timing of these discretionary expenditures.

A reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities appears on page 12.

Fund Financial Statements

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes or as required by state law. Looking at funds helps the reader to consider whether the Academy is being accountable for the resources that the State and others provide to it and may provide more insight into the Academy's overall financial health.

The Academy's instruction and support services activities are reported in the General Fund. The School Lunch Fund represents food service activities, the Textbook Rental Fund represents activities related to textbook rentals, and the federal grant funds represent the activities for the federal grants other than child nutrition. The Academy's combined fund balance was $49,660 at June 30, 2014.

A reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position appears on page 11.

Capital Assets

At June 30, 2014, the Academy had $119,852 invested in capital assets from board discretionary funds, primarily other equipment. Capital assets are substantially provided as part of the agreement with NHA.

Budgetary Highlights

Over the course of the year, the Academy revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Academy's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements.

Budgeted revenues were increased by $547,742 from the original budget. Revenues were changed to reflect an increase in state aid, other state sources, federal sources, and private sources, and a decrease in private sources - NHA. Budgeted expenditures were increased by $602,240. This change was to reflect the change in anticipated funding. The Academy did not have any significant budget variances.

General Economic Factors

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

Contacting the Academy's Financial Management

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

ASPIRE CHARTER ACADEMY

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS	
CURRENT ASSETS:	
Cash	$ 115,729
Due from governmental revenue sources	2,646,268
Total current assets	2,761,997
NON-CURRENT ASSETS:	
Capital assets	230,327
Less accumulated depreciation	(110,475)
Total capital assets, net of accumulated depreciation	119,852
TOTAL	$ 2,881,849
LIABILITIES AND NET POSITION	
LIABILITIES:	
Unearned revenue	$ 11,191
Contracted service fee payable	2,701,146
Total liabilities	2,712,337
NET POSITION:	
Net investment in capital assets	119,852
Unrestricted	49,660
Total net position	169,512
TOTAL	$ 2,881,849

See notes to financial statements.

ASPIRE CHARTER ACADEMY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Governmental Activities Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS — Governmental activities:				
Contracted service fee:				
Instruction	$ 3,221,295	$ -	$ 1,323,146	$ (1,898,149)
Support services	3,635,750	-	351,987	(3,283,763)
Food services	385,659	13,717	357,309	(14,633)
Depreciation (unallocated)	18,553	-	-	(18,553)
Total governmental activities	$ 7,261,257	$ 13,717	$ 2,032,442	(5,215,098)
GENERAL PURPOSE REVENUES:				
State aid unrestricted				5,191,707
Total general purpose revenue				5,191,707
CHANGE IN NET POSITION				(23,391)
NET POSITION:				
Beginning of year				192,903
End of year				$ 169,512

See notes to financial statements.

ASPIRE CHARTER ACADEMY

BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
CASH	$ 115,729	$ -	$ 115,729
DUE FROM GOVERNMENTAL REVENUE SOURCES	2,544,248	102,020	2,646,268
TOTAL	$2,659,977	$102,020	$2,761,997
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Unearned revenue	$ 10,594	$ 597	$ 11,191
Contracted service fee payable	87,660	101,423	189,083
Total liabilities	98,254	102,020	200,274
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	2,512,063	-	2,512,063
Total liabilities and deferred inflows of resources	2,610,317	102,020	2,712,337
FUND BALANCE:			
Committed	34,255	-	34,255
Unassigned	15,405	-	15,405
Total fund balance	49,660	-	49,660
TOTAL	$2,659,977	$102,020	$2,761,997

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION		
Total governmental fund balance		$ 49,660
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Capital assets cost	$230,327	
Accumulated depreciation	(110,475)	119,852
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds		2,512,063
Contracted service fee payable not due and payable in the current period and not reported in the funds		(2,512,063)
Net position of governmental activities		$ 169,512

See notes to financial statements.

ASPIRE CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES:			
State aid	$ 5,191,707	$ -	$ 5,191,707
Other state sources	441,844	50,108	491,952
Federal sources	-	1,546,369	1,546,369
Private sources	26,306	13,717	40,023
Total revenues	5,659,857	1,610,194	7,270,051
EXPENDITURES — Contracted service fee:			
Instruction	1,981,685	1,239,610	3,221,295
Food services	-	385,659	385,659
Support services	3,667,935	-	3,667,935
Total expenditures	5,649,620	1,625,269	7,274,889
REVENUES OVER (UNDER) EXPENDITURES	10,237	(15,075)	(4,838)
OTHER FINANCING (USES) SOURCES — Operating transfers (out) in	(15,075)	15,075	-
NET CHANGE IN FUND BALANCE	(4,838)	-	(4,838)
FUND BALANCE — Beginning of year	54,498	-	54,498
FUND BALANCE — End of year	$ 49,660	$ -	$ 49,660

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balance — total governmental funds	$ (4,838)
Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their useful lives as depreciation	(18,553)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	2,512,063
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years	(2,544,248)
Contracted service fee recognized consistent with the revenue policy	32,185
Change in net position of governmental activities	$ (23,391)

See notes to financial statements.

ASPIRE CHARTER ACADEMY

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

1. NATURE OF OPERATIONS

Aspire Charter Academy (the "Academy") is a public benefit not-for-profit organization established under the laws of the State of Indiana that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The Academy operates a public charter school established under Indiana Code 20-24-3-1 and is sponsored by the Ball State University, which is responsible for oversight of the Academy's operations. Under this charter, the Academy has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support, which is included in the expenses assumed by NHA as described above. This amounted to approximately $103,421 for the fiscal year 2014. The charter expires on June 30, 2016, and is subject to renewal. Management believes the charter will continue to be renewed in the ordinary course of business.

The Academy is exempt from taxation as a governmental entity pursuant to Internal Revenue Code Section 115. The Academy qualifies for public charity status by meeting the requirements of Internal Revenue Code Sections 509(1) and 170(b)(1)(A)(ii).

The board of directors of the Academy (the "Board of Directors") entered into a management agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA. Under the terms of the agreement, NHA receives all Academy revenue from all sources as their contracted service fee. NHA is entitled to any difference between the gross management fee and the operating costs of the school as compensation for management services rendered.

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or if the organization provided benefits to, or imposes financial burdens on the Academy. The Academy's financial reporting entity is composed of the following:

Primary Government: Aspire Charter Academy

In determining the financial reporting entity, the Academy complies with the provisions of Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Academy-wide and Fund Financial Statements — The Academy-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Academy's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Academy-wide Statements — The Academy-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of interfund activity has been eliminated from the Academy-wide financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position, or fund balance are available, the Academy's policy is to first apply restricted resources. When an expense is incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used, it is the Academy's policy to spend funds in this order: committed, assigned and unassigned.

Fund Based Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The contracted service fee to NHA is recorded consistent with the recognition of revenue. Interfund transfers are used to subsidize operations of the School Lunch Fund.

Fund Classification — The financial activities of the Academy are organized on the basis of funds. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Academy reports the following major governmental funds:

The General Fund — The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Academy reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The Academy's Special Revenue Funds include the School Lunch Fund, Textbook Rental Fund, and federal grant funds. Any operating deficit generated by these activities is the responsibility of the General Fund.

Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Actual results could differ from those estimates.

Cash — Cash as of June 30, 2014 represents bank deposits which are covered by federal depository insurance. Accordingly, there are no investments which are required to be categorized according to risk.

Unavailable and Unearned Revenue — Unavailable revenue is reported in connection with receivables for revenue that is not considered available and measurable to liquidate liabilities of the current period. Unearned revenue is reported in connection with funds that have been received for services which have not been performed and is therefore not yet earned. As of June 30, 2014, a deferred inflow for unavailable revenue was recognized for $2,512,063 and a liability for unearned revenue was recognized for $11,191.

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

Capital Assets — Capital assets, which include other equipment, are reported in the applicable governmental column in the government-wide financial statements at historical cost. Capital assets are defined by the Academy as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year.

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

Fund Balance — Fund balances may be classified as nonspendable, restricted, committed, assigned, or unassigned. The terms nonspendable and restricted are used either to indicate that certain assets do not represent spendable resources available for general educational programs or to earmark a portion of fund balance as legally segregated for a specific future use. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the board. The term assigned is used to classify the fund balance intended to be used by the board, but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses. At June 30, 2014, the Academy had $34,255 in committed fund balance and $15,405 in unassigned fund balance. The committed fund balance has been committed by resolutions of the board for student, parent and staff appreciation, staff retreat, athletics, and board training and development.

3. BUDGETARY INFORMATION

Annual budgets are adopted on a basis utilizing accounting principles generally accepted in the United States of America and consistent with state law for the general and special revenue funds. The budget document presents information by fund and function. State law requires the Academy to have its budget in place by July 1.The budgets can be amended by the Board of Directors as considered necessary. The budgets were amended to increase budgeted revenues and expenditures by $547,742 and $602,240, respectively. The Academy did not have any significant budget variances.

4. DEPOSITS

Deposits, made in accordance with Indiana Code 5-13 with financial institutions in the State of Indiana at June 30, 2014, were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. At June 30, 2014, the Academy had a deposit balance in the amount of $119,176.

5. ACCOUNTS RECEIVABLE

The Academy's accounts receivable balance consists of amounts due from the State of Indiana for tuition support relating to a) the first six months of the Academy's initial school year and b) enrollment growth occurring in subsequent school years.

Pursuant to IC § 20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that are defined in the statute.

In April 2013, the Indiana General Assembly repealed IC § 20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. The amounts forgiven under House Bill 1001 were to be applied against the related accounts receivable balance previously recorded by the School. The Academy did not receive funds from the Common School Fund and as such, no amount was forgiven by the State.

Members of the Indiana General Assembly have been informed that a number of charter schools remain with an accounts receivable balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. Legislative efforts are being made to resolve any outstanding obligations of the State with final resolution anticipated to occur during the next twenty-four months. As a result, the Academy continues to carry a receivable balance of $2,458,109 that was not reimbursed through the provisions of House Bill 1001. The remaining balance of $188,159 in account receivable relates to routine amounts due from other state programs and federal programs.

6. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2014, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

7. CAPITAL ASSETS

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

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities — Other equipment	$ 230,327	$ -	$ -	$ 230,327
Total capital assets at historical cost	230,327	-	-	230,327
Less accumulated depreciation — Other equipment	(91,922)	(18,553)	-	(110,475)
Total accumulated depreciation	(91,922)	(18,553)	-	(110,475)
Total governmental activities capital assets, net	$ 138,405	$ (18,553)	$ -	$ 119,852

8. CONTINGENCIES

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

9. OPERATING LEASE

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2013 through June 30, 2016. Annual rental payments required by the lease are $912,804 payable in twelve monthly payments of $76,067.

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REQUIRED SUPPLEMENTAL INFORMATION

ASPIRE CHARTER ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Amended Budget	Actual	Over (Under) Final Budget
REVENUES:				
State Aid	$ 5,012,620	$ 5,191,700	$ 5,191,707	$ 7
Other State Sources	359,529	467,600	491,952	24,352
Federal Sources	1,415,066	1,758,500	1,546,369	(212,131)
Private Sources	14,061	24,100	40,023	15,923
Private Sources - NHA	92,882	-	-	-
Total Revenues	6,894,158	7,441,900	7,270,051	(171,849)
EXPENDITURES - Contracted Service Fee:	6,894,158	7,496,398	7,274,889	(221,509)
REVENUES (UNDER) EXPENDITURES	-	(54,498)	(4,838)	49,660
NET CHANGE IN FUND BALANCE	-	(54,498)	(4,838)	49,660
FUND BALANCE - Beginning of year	-	54,498	54,498	-
FUND BALANCE - End of year	$ -	$ -	$ 49,660	$ 49,660

Financial Audit Reports for Each Charter School

ADDITIONAL INFORMATION

ASPIRE CHARTER ACADEMY

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2014

	School Lunch	Textbook Rental	Title I	Title IIA	Special Education	Totals
Revenue:						
Private sources	$ 13,717	$ -	$ -	$ -	$ -	$ 13,717
State sources	-	50,108	-	-	-	50,108
Federal sources	356,867	-	970,587	112,374	106,541	1,546,369
Total Revenue	370,584	50,108	970,587	112,374	106,541	1,610,194
Expenditures:						
Current:						
Contract service fee	385,659	50,108	970,587	112,374	106,541	1,625,269
Total expenditures	385,659	50,108	970,587	112,374	106,541	1,625,269
REVENUES (UNDER) EXPENDITURES	(15,075)	-	-	-	-	(15,075)
Other financing sources - Transfers in	15,075	-	-	-	-	15,075
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-
Fund Balance - beginning	-	-	-	-	-	-
Fund Balance - ending	$ -	$ -	$ -	$ -	$ -	$ -

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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*

Independent Auditor's Report

To Management and the Board of Directors
Aspire Charter Academy

We have audited, 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Aspire Charter Academy (the "Academy") as of and for the year ended June 30, 2014, and related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aspire Charter Academy'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Academy'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Directors
Aspire Charter Academy

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aspire Charter Academy's financial statements are free from 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 Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Grand Rapids, Michigan
October 28, 2014

Financial Audit Reports for Each Charter School

SUPPLEMENTAL INFORMATION

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Report on Compliance for the Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
Aspire Charter Academy

Report on Compliance for the Major Federal Program

We have audited Aspire Charter Academy's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and the compliance requirements issued by the State Board of Accounts of Indiana, *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, that could have a direct and material effect on its major federal program for the year ended June 30, 2014. Aspire Charter Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of Aspire Charter Academy's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*. Those standards, OMB Circular A-133, and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred and whether noncompliance with the requirements of the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools occurred. An audit includes examining, on a test basis, evidence about Aspire Charter Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

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

Praxity MEMBER GLOBAL ALLIANCE OF INDEPENDENT FIRMS

To the Board of Directors
Aspire Charter Academy

Report on Internal Control Over Compliance

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

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

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

Plante & Moran, PLLC

Grand Rapids, Michigan
October 28, 2014

ASPIRE CHARTER ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title Grant Number	Federal CFDA Number	Total Federal Awards Expended June 30, 2014
U.S. Department of Agriculture—		
Passed through the Indiana Department of Education:		
Child Nutrition Cluster:		
Cash Assistance:		
National School Breakfast Program	10.553	$ 53,694
National School Lunch Program	10.555	303,173
Total U.S. Department of Agriculture		356,867
U.S. Department of Education—		
Passed through the Indiana Department of Education:		
Title I Grants to Local Educational Agencies	84.010	
Project# 13-9685		72,953
Project# 14-9685		897,634
Total Title I Grants to Local Educational Agencies		970,587
Title II Improving Teacher Quality	84.367	
Project# 09-9685		4,501
Project# 11-9685		47,448
Project# 12-9685		43,205
Project# 13-9685		17,220
Total Title II Improving Teacher Quality		112,374
Special Education Cluster:		
IDEA Part B Project# 14213-526-PN01	84.027	27,980
IDEA Part B Project# 14214-526-PN01		78,561
Total Special Education Cluster		106,541
Total U.S. Department of Education		1,189,502
Total		$ 1,546,369

See notes to schedule of expenditures of federal awards.

ASPIRE CHARTER ACADEMY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards is presented in accordance with the Office of Management and Budget Circular A-133 and is prepared using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ASPIRE CHARTER ACADEMY

FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes __X__ None reported

Noncompliance material to financial statements noted? _____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes __X__ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I, Part A

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __X__ Yes _____ No

ASPIRE CHARTER ACADEMY

FEDERAL SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
YEAR ENDED JUNE 30, 2014

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

ASPIRE CHARTER ACADEMY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2013-001	Title I, Part A Cluster	The Academy did not appropriately reconcile the amounts used in the Form 9 submission to the books and records from which the audited financial statements were prepared. Therefore, the Form 9 submissions used by the State of Indiana for the Maintenance of Effort (MOE) calculation for 2013 were not reliable.	Corrected	N/A

ASPIRE CHARTER ACADEMY

STATE SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

IV. STATE FINDINGS AND QUESTIONED COSTS SECTION

FINDING 2014-001

STATE FINDINGS
Prescribed Forms (2014-001)

The Academy does not use certain state prescribed manual forms. The Academy uses electronic forms (created by the Academy's accounting system) in place of the state prescribed manual forms. This is a repeat finding from the prior year.

The Academy does not use the following state prescribed manual forms:

- Accounts Payable Voucher – Form 523
- Check in Duplicate – Form 509
- Receipt in Duplicate – Form 517

The State Board of Accounts is charged by law with the responsibility of prescribing and installing a system of accounting and reporting, which shall be uniform for every public office and every public account the same class, IC 20-239. [IC5-11-1-2]

A prescribed form is one, which is put into general use for all offices of the same class, whereas an approved form is a computerized form for special use in a particular office.

All Charter schools are required by law to use the forms prescribed by the State Board of Accounts; however, if desirable to have a prescribed form modified to conform for computer applications, a letter and copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

ASPIRE CHARTER ACADEMY

EXIT CONFERENCE FOR STATE COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2014

The content of the state compliance report on page 32 was discussed October 28, 2014, with Steve Conley, Chief Financial Officer, and Ann Strahota, Audit Manager. The Official Response has been made a part of the state compliance report and may be found on page 34.

RESPONSE TO STATE FINDINGS

Prescribed Forms 2014-001

Issue: The State Board of Accounts is charged by law with the responsibility of prescribing and installing a system of accounting and reporting which shall be uniform for every public office and every public account the same class, IC 20-239. [IC5-11-1-2]

A prescribed form is one which is put into general use for all offices of the same class, whereas an approved form is a computerized form for special use in a particular office.

All Charter schools are required by law to use the forms prescribed by the State Board of Accounts; however, if desirable to have a prescribed form modified to conform for computer applications, a letter and copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Chapter 10)

Response: The Academy does not utilize the following state prescribed manual forms:

- Accounts Payable Voucher - Form 523
- Check in Duplicate - Form 509
- Receipt in Duplicate - Form 517

The Academy uses electronic forms (created by the Academy's accounting system) in place of the above listed prescribed manual forms. The Academy is in the process of providing the electronic forms currently used to the State for approval of use in place of the state prescribed manual forms.

Stan M. Strakofa
NHA Audit Manager

October 28, 2014
Date

Financial Audit Reports for Each Charter School

THE BLOOMINGTON PROJECT SCHOOL, INC.

Financial Statements

June 30, 2014 and 2013

Financial Audit Reports for Each Charter School

THE BLOOMINGTON PROJECT SCHOOL, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Bloomington Project School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Bloomington Project School, Inc., which comprise of statements of financial position as June 30, 2014 and 2013 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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 Bloomington Project School, Inc.** as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
June 18, 2015

THE BLOOMINGTON PROJECT SCHOOL, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 183,954	194,699
Grants receivable	10,422	12,929
Prepaid expenses	7,344	27,467
Total current assets	201,720	235,095
Security deposit	10,000	10,000
Property and equipment:		
Leasehold improvements	2,222,431	2,222,431
Furniture and equipment	478,591	478,591
Textbooks	77,316	77,316
Less: accumulated depreciation	(818,167)	(640,723)
Property and equipment, net	1,960,171	2,137,615
	$ 2,171,891	2,382,710
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 194,047	129,382
Current portion of long-term debt	102,245	96,153
Refundable advances	2,399	4,624
Total current liabilities	298,691	230,159
Deferred rent payable	50,625	60,750
Long-term debt	1,767,148	1,868,467
Total liabilities	2,116,464	2,159,376
Net assets (deficiency):		
Unrestricted	(5,498)	100,672
Temporarily restricted	60,925	122,662
Total net assets	55,427	223,334
	$ 2,171,891	2,382,710

Financial Audit Reports for Each Charter School

THE BLOOMINGTON PROJECT SCHOOL, INC.

Statements of Activities

	Year Ended June 30, 2014			Year Ended June 30, 2013		
Revenue and Support	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
State education support	$ 1,646,684	-	1,646,684	$ 1,602,295	-	1,602,295
Grant revenue	214,225	-	214,225	387,109	-	387,109
Student fees	40,843	-	40,843	63,291	-	63,291
Contributions	191,159	-	191,159	105,867	200,268	306,135
Fundraising	40,209	-	40,209	48,675	-	48,675
Other income	55,743	-	55,743	24,401	-	24,401
Net assets released from restriction	61,737	(61,737)	-	89,606	(89,606)	-
Total revenue and support	2,250,600	(61,737)	2,188,863	2,321,244	110,662	2,431,906
Expenses						
Program services	1,788,165	-	1,788,165	1,804,119	-	1,804,119
Management and general	568,605	-	568,605	592,182	-	592,182
Total expenses	2,356,770	-	2,356,770	2,396,301	-	2,396,301
Change in net assets from operations	(106,170)	(61,737)	(167,907)	(75,057)	110,662	35,605
Non-Operating Activity						
Gain due to changes in legislative funding	-	-	-	35,013	-	35,013
Change in net assets	(106,170)	(61,737)	(167,907)	(40,044)	110,662	70,618
Net assets, beginning of year	100,672	122,662	223,334	140,716	12,000	152,716
Net assets, end of year	$ (5,498)	60,925	55,427	$ 100,672	122,662	223,334

THE BLOOMINGTON PROJECT SCHOOL, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (167,907)	70,618
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	177,443	243,959
Gain due to changes in legislative funding	-	(35,013)
Change in:		
Grants receivable	2,507	(4,565)
Prepaid expenses	20,123	(2,362)
Accounts payable and accrued expenses	54,541	12,251
Refundable advances	(2,225)	(393)
Net cash provided by operating activities	84,482	284,495
Investing Activities		
Purchases of property and equipment	-	(34,358)
Net cash used by investing activities	-	(34,358)
Financing Activities		
Principal repayments of long-term debt	(95,227)	(91,670)
Repayments of short-term financing	-	(4,000)
Net cash used by financing activities	(95,227)	(95,670)
Net increase (decrease) in cash	(10,745)	154,467
Cash, beginning of year	194,699	40,232
Cash, end of year	$ 183,954	194,699
Supplementary information:		
Cash payments for interest expense	$ 118,779	116,118

THE BLOOMINGTON PROJECT SCHOOL, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

The Bloomington Project School, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Grants Receivable

Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

THE BLOOMINGTON PROJECT SCHOOL, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Contributions Received

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Taxes on Income

The Bloomington Project School, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2011 are open to audit for both federal and state purposes.

THE BLOOMINGTON PROJECT SCHOOL, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $500 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	30 years
Furniture and equipment	3 to 5 years
Textbooks	4 years

Subsequent Events

The School evaluated subsequent events through June 18, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July 2013 to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

THE BLOOMINGTON PROJECT SCHOOL, INC.

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

The effect of these legislative amendments have been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$765,217
Repayment of accrued interest on Common School Fund loans	71,717
	836,934
Elimination of school funding	(801,921)
	$ 35,013

(3) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 was comprised of:

	2014	2013
Note payable to Indiana Finance Authority	$ 696,476	789,130
Note payable to IFF	1,160,000	1,160,000
Note payable to Bloomington Urban Enterprise Association	12,917	15,490
	1,869,393	1,964,620
Less current maturities	(102,245)	(96,153)
	$1,767,148	1,868,467

The note payable to Indiana Finance Authority is payable in quarterly installments of $33,775, including interest at 5.5% per annum. The loan was funded through the sale of Qualified School Construction Bonds, which provides for the interest to be subsidized by the federal government. The loan is subordinate to the obligation to IFF.

The note payable to IFF requires interest only to be paid monthly at a rate of 6.5% per annum, with the principal balance due at the maturity date of August 15, 2017. The note is secured by a leasehold mortgage, and furniture and fixtures.

THE BLOOMINGTON PROJECT SCHOOL, INC.

Notes to Financial Statements

(3) Long-Term Debt, Continued

The note payable to Bloomington Urban Enterprise Association is payable in monthly installments of $208, with the unpaid balance due on August 1, 2019. The note is unsecured and non-interest bearing.

Principal maturities of long-term debt are as follows:

Year Ending June 30:	
2015	$ 102,245
2016	74,252
2017	45,426
2018	1,207,874
2019	50,461
Thereafter	389,135
	$1,869,393

(4) Leases

The School leases its school facility under an operating lease. The lease expires June 30, 2019 and requires annual rent payments of $88,125. The School has the option to renew the lease for four additional five-year periods. In the initial stages of the lease, the School was allowed certain rent concessions and has, therefore, recorded a deferred credit to reflect the excess of rent expense over cash payments for that period of time. The School also rents certain items of office equipment under operating leases.

Expense under operating leases for the years ended June 30, 2014 and 2013 was $95,923 and $90,751, respectively. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year Ending June 30:	
2015	$94,611
2016	93,948
2017	93,006
2018	92,950
2019	88,125

THE BLOOMINGTON PROJECT SCHOOL, INC.

Notes to Financial Statements

(5) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014 and 2013, the School had refundable grant advances in excess of expenditures of $2,399 and $4,624, respectively.

(6) Retirement Plans

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 8.75% of compensation for other employees of PERF. Substantially all full-time employees are eligible to participate. In lieu of TRF, teaching faculty can elect benefits under a 403(b) plan, where the School contributes 7.5% of compensation. Retirement plan expense was $69,257 and $69,263 for the years ended June 30, 2014 and 2013, respectively.

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were $34,953 and $19,864 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

THE BLOOMINGTON PROJECT SCHOOL, INC.

Notes to Financial Statements

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in Monroe and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, substantially all of the receivable balance was due from the State of Indiana.

(9) Restricted Net Assets

The School received contributions restricted for use in supporting compensation for certain staff positions and for enhancement of the student lunch program. Temporarily restricted net assets of $60,925 and $122,662 were available for staff compensation as of June 30, 2014 and 2013, respectively.

(10) Accounting Correction

In 2014, it was determined that the financial activity of the School's extra-curricular activity account was not being reported on the School's financial statements. The account was recorded as a separate fund even though the resources and expenditures related to School activities. The School corrected this error by restating previously issued financial statements. Net assets as of July 1, 2012 have been increased by $10,719 and the change in net assets for the year ended June 30, 2013 has been increased by $19,951 to reflect this correction.

THE BLOOMINGTON PROJECT SCHOOL, INC.

Notes to Financial Statements

(11) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 947,758	272,144
Employee benefits	266,925	31,828
Staff development and recruitment	13,730	-
Professional services	50,824	80,298
Repairs and maintenance	11,052	-
Authorizer oversight fees	-	34,953
Food costs	60,794	-
Transportation	35,000	-
Equipment	12,900	-
Operational supplies	25,845	6,137
Occupancy	133,072	-
Depreciation	177,443	-
Interest	-	118,779
Insurance	-	16,660
Other	52,822	7,806
	$1,788,165	568,605

THE BLOOMINGTON PROJECT SCHOOL, INC.

Notes to Financial Statements

(11) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 921,171	272,078
Employee benefits	230,420	64,127
Staff development and recruitment	6,878	-
Professional services	67,813	54,910
Repairs and maintenance	8,032	-
Authorizer oversight fees	-	19,864
Food costs	75,314	-
Transportation	47,600	-
Equipment	12,335	-
Operational supplies	32,104	6,708
Occupancy	114,104	-
Depreciation	243,959	-
Interest	-	146,727
Insurance	-	24,813
Other	44,389	2,955
	$1,804,119	592,182

Financial Audit Reports for Each Charter School

THE BLOOMINGTON PROJECT SCHOOL, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of The Bloomington Project School, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Financial Audit Reports for Each Charter School

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

Financial Audit Reports for Each Charter School

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Friends of Canaan, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Friends of Canaan, Inc. d/b/a Canaan Community Academy**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Friends of Canaan, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
August 22, 2014

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Statements of Financial Position

Assets	June 30 2014	June 30 2013
Current assets:		
Cash	$ 122,397	9,969
Grants receivable	13,146	105,836
Prepaid expenses	1,509	3,444
Total current assets	137,052	119,249
Property and equipment:		
Textbooks	38,758	12,748
Equipment	201,726	99,104
Less: accumulated depreciation	(71,814)	(12,346)
Property and equipment, net	168,670	99,506
	$ 305,722	218,755
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 42,074	112,575
Notes payable	-	115,000
Current portion of long-term debt	40,483	-
Refundable advances	10,000	-
Total current liabilities	92,557	227,575
Long-term debt, less current portion	112,314	-
Total liabilities	204,871	227,575
Unrestricted net assets (deficiency)	100,851	(8,820)
	$ 305,722	218,755

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 769,618	276,783
Grant revenue	339,095	554,872
Student fees	28,402	24,264
Contributions	26,572	12,863
Other	13,252	205
Total revenue and support	1,176,939	868,987
Expenses		
Program services	820,296	646,552
Management and general	246,972	238,989
Total expenses	1,067,268	885,541
Increase (decrease) in net assets	109,671	(16,554)
Net assets (deficiency), beginning of year	(8,820)	7,734
Net assets (deficiency), end of year	$ 100,851	(8,820)

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 109,671	(16,554)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	59,468	12,120
Non-cash contributions	(15,000)	-
Change in:		
Grants receivable	92,690	(81,124)
Prepaid expenses	1,935	(3,444)
Accounts payable and accrued expenses	(70,501)	102,610
Refundable advances	10,000	-
Net cash provided by operating activities	188,263	13,608
Investing Activities		
Acquisition of property and equipment	(128,632)	(107,792)
Net cash used by investing activities	(128,632)	(107,792)
Financing Activities		
Net proceeds from notes payable	-	100,000
Proceeds from long-term debt	60,000	-
Principal repayments of long-term debt	(7,203)	-
Net cash provided by financing activities	52,797	100,000
Net increase in cash	112,428	5,816
Cash, beginning of year	9,969	4,153
Cash, end of year	$ 122,397	9,969
Supplemental disclosures:		
Cash paid for interest expense	$ 6,401	1,999

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Friends of Canaan, Inc. d/b/a Canaan Community Academy (the "School") ") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Textbooks	4 years
Equipment	3 to 4 years

Taxes on Income

Friends of Canaan, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions.

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Subsequent Events

The School evaluated subsequent events August 22, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Leases

The School leases its facility under an operating lease with Shelby Township. The lease provides for an annual lease payment of $1, but the School is responsible for repairs, maintenance, utilities, and insurance. The lease term ends in February 2015, with an option to extend for three years.

(3) Retirement Plan

The School offers retirement benefits to its employees through both 403(b) and a 401(a) defined contribution retirement plans provided by MetLife. The 403(b) plan is funded solely by employee contributions. The School contributes 7.5% of salary for all full-time employees to the 401(a) plan. Retirement plan expense was $30,633 and $26,169 for the years ended June 30, 2014 and 2013, respectively.

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Notes to Financial Statements

(4) Long-Term Debt

Long-term debt at June 30, 2014 consisted of the following:

Note payable to IFF, payable $1,125 monthly including interest at 4.75% per annum, maturing in October 2018, secured by all furniture, fixtures and equipment	$ 52,797
Unsecured note payable to Elma Schafer, payable $1,476 monthly including interest at 4.0% per annum, maturing in July 2017	50,000
Unsecured note payable to LaVonna Risk, payable $1,476 monthly including interest at 4.0% per annum, maturing in July 2017	50,000
	152,797
Less: current portion	(40,483)
	$ 112,314

The notes payable to Elma Schafer and LaVonna Risk were initially due in 2014, but were extended through July 1, 2017 with payments commencing in August 2014. Both notes are with persons related to a board member and to the former School leader.

Principal maturities of long-term debt are scheduled as follows:

Year Ending June 30:	
2015	$ 40,483
2016	44,987
2017	46,913
2018	15,899
2019	4,515
	$ 152,797

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Notes to Financial Statements

(5) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent. Payments under this agreement were $14,793 and $6,979 for the years ended June 30, 2014 and 2013, respectively.

(6) Risks and Uncertainties

The School provides education services to families residing in Jefferson and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the accounts receivable balance was due from the State of Indiana.

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Notes to Financial Statements

(7) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$372,838	104,330
Employee benefits	103,681	22,936
Authorizer's fees	-	14,793
Books and supplies	24,286	6,332
Contracted transportation	77,350	-
Depreciation	59,468	-
Equipment	11,550	-
Food service expense	33,423	-
Insurance	-	28,025
Interest	-	6,401
Occupancy	24,155	-
Professional fees	53,493	51,867
Repairs and maintenance	54,277	-
Staff development	5,775	-
Other	-	12,288
	$ 820,296	246,972

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Notes to Financial Statements

(7) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 355,856	118,268
Employee benefits	72,450	26,118
Authorizer's fees	-	6,979
Books and supplies	14,747	6,554
Contracted transportation	41,100	-
Depreciation	12,120	-
Equipment	13,657	-
Food service expense	28,841	-
Insurance	-	22,779
Interest	-	2,333
Occupancy	24,428	-
Professional fees	36,664	41,138
Repairs and maintenance	32,653	-
Staff development	13,157	-
Other	879	14,820
	$ 646,552	238,989

Financial Audit Reports for Each Charter School

FRIENDS OF CANAAN, INC.
d/b/a
CANAAN COMMUNITY ACADEMY

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Friends of Canaan, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

Financial Audit Reports for Each Charter School

CAREER ACADEMY OF SOUTH BEND, INC.

Financial Statements

June 30, 2013 and 2012

Fitzgerald | Isaac LLC
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Financial Audit Reports for Each Charter School

CAREER ACADEMY OF SOUTH BEND, INC.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Career Academy of South Bend, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Career Academy of South Bend, Inc.**, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Career Academy of South Bend, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
April 24, 2014

CAREER ACADEMY OF SOUTH BEND, INC.

Statements of Financial Position

	June 30	
Assets	2013	2012
Current assets:		
Cash	$ 557,242	70,211
Accounts receivable:		
State education support	-	505,619
Grants	30,436	4,357
Other	188	42,455
Unconditional promises to give	550,000	550,000
Prepaid expenses	-	4,445
Total current assets	1,137,866	1,177,087
Unconditional promises to give	250,000	800,000
Property and equipment:		
Land	159,400	159,400
Building and improvements	11,509,803	11,193,290
Furniture, fixtures, and equipment	1,141,242	918,769
Construction-in-progress	-	42,719
Less: accumulated depreciation	(726,840)	(234,155)
Property and equipment, net	12,083,605	12,080,023
	$ 13,471,471	14,057,110
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 84,129	145,969
Current portion of long-term debt	557,876	553,840
Refundable advances	51,119	-
Total current liabilities	693,124	699,809
Accrued interest on Common School Fund loans	-	22,013
Long-term debt, net of current portion	12,047,178	11,865,249
Total liabilities	12,740,302	12,587,071
Net assets (deficiency):		
Unrestricted	(118,831)	220,039
Temporarily restricted	850,000	1,250,000
Total net assets	731,169	1,470,039
	$ 13,471,471	14,057,110

CAREER ACADEMY OF SOUTH BEND, INC.

Statement of Activities

	Year Ended June 30, 2013		
Revenue and Support	Unrestricted	Temporarily Restricted	Total
State education support	$ 2,555,786	-	2,555,786
Grant revenue	720,812	-	720,812
Contributions	11,003	100,000	111,003
Student fees	47,473	-	47,473
Rent	137,299	-	137,299
Other	29,173	-	29,173
Net assets released from restriction	500,000	(500,000)	-
Total revenue and support	4,001,546	(400,000)	3,601,546
Expenses			
Program services:			
Educational instruction	2,858,682	-	2,858,682
Education support	391,960	-	391,960
Administrative	1,166,676	-	1,166,676
Total expenses	4,417,318	-	4,417,318
Change in net assets before non-operating activity	(415,772)	(400,000)	(815,772)
Non-Operating Activity			
Gain due to changes in legislative funding	76,902	-	76,902
Change in net assets	(338,870)	(400,000)	(738,870)
Net assets, beginning of year	220,039	1,250,000	1,470,039
Net assets (deficiency), end of year	$ (118,831)	850,000	731,169

CAREER ACADEMY OF SOUTH BEND, INC.

Statement of Activities

	Year Ended June 30, 2012		
Revenue and Support	Unrestricted	Temporarily Restricted	Total
State education support	$ 1,011,239	-	1,011,239
Grant revenue	456,615	1,500,000	1,956,615
Contributions	987,176	-	987,176
Student fees	13,329	-	13,329
Rent	53,068	-	53,068
Other	23,168	-	23,168
Net assets released from restriction	250,000	(250,000)	-
Total revenue and support	2,794,595	1,250,000	4,044,595
Expenses			
Program services:			
Educational instruction	1,553,311	-	1,553,311
Education support	222,429	-	222,429
Administrative	914,303	-	914,303
Total expenses	2,690,043	-	2,690,043
Change in net assets	104,552	1,250,000	1,354,552
Net assets, beginning of year	115,487	-	115,487
Net assets, end of year	$ 220,039	1,250,000	1,470,039

CAREER ACADEMY OF SOUTH BEND, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2013	2012
Change in net assets	$ (738,870)	1,354,552
Adjustment to reconcile change in net assets to cash flows from operating activities:		
Depreciation	492,685	234,155
Gain due to changes in legislative funding	(76,902)	-
Change in:		
Accounts receivable	(756,086)	(1,847,231)
Prepaid expenses	4,445	(4,445)
Unconditional promises to give	550,000	-
Accounts payable and accrued expenses	(22,496)	167,982
Refundable advances	51,119	-
Net cash used by operating activities	(496,105)	(94,987)
Investing Activities		
Purchase of property and equipment	(496,267)	(12,087,414)
Proceeds from note receivable	-	7,300
Net cash used by investing activities	(496,267)	(12,080,114)
Financing Activities		
Proceeds from Common School Fund loan	711,220	582,218
Proceeds from other long-term debt, net of repayments	768,183	11,638,371
Net cash provided by financing activities	1,479,403	12,220,589
Net increase in cash	487,031	45,488
Cash, beginning of year	70,211	24,723
Cash, end of year	$ 557,242	70,211
Supplementary information:		
Cash payments for interest expense	$ 209,509	47,669

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

General

Career Academy of South Bend, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University.

Financial Statement Presentation

The School reports its financial position and activities according to three classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.

- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

- Permanently restricted net assets, which represent net assets that are subject to restriction by gift instruments requiring that the principal be invested in perpetuity and only the income be expended, or assets donated with the provision that they not be sold. There were no permanently restricted net assets as of June 30, 2013 or 2012.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in January through December following the start of the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

Reclassifications

Certain figures for 2012 that were previously reported have been reclassified for comparative purposes.

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building and improvements	39 years
Furniture, fixtures, and equipment	3 to 7 years

Taxes on Income

Career Academy of South Bend, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2013 and 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax year ending 2012 is open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through April 24, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 will no longer be paid.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School has applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	$1,293,438
Repayment of accrued interest on Common School Fund loans.....	61,357
	1,354,795
Elimination of School funding	(1,277,893)
	$ 76,902

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(3) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 represented amounts due relating to the following sources:

Tuition support	$450,680
Special education grant	54,939
Total	$505,619

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students and other factors. The payment schedule is likewise determined by state law, with tuition support payable in equal monthly installments in the calendar year following the start of the academic school year. Effective July 1, 2013, tuition support will be paid in monthly installments that coincide with the School's fiscal year (see Note 2).

(4) Unconditional Promises to Give

Unconditional promises to give consisted of the following as of June 30, 2013 and 2012:

	2013	2012
Restricted to payment of debt obligation	$750,000	1,250,000
Restricted for building improvements	50,000	100,000
Gross unconditional promises to give	$800,000	1,350,000
Amounts due in:		
Less than one year	$550,000	550,000
One to five years	250,000	800,000
	$800,000	1,350,000

Unconditional promises to give have not been discounted because they either provide for interest on the unpaid balance, or are payable currently.

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(5) Long-Term Debt

Long-term debt at June 30, 2013 and 2012 consisted of the following:

	2013	2012
Note payable to the City of South Bend, Indiana (and The Garatoni Family Foundation, as bond holder) relating to the issuance of Economic Development Revenue Bonds, payable $125,000 quarterly, plus interest at 4% per annum, secured by land and building	$750,000	1,250,000
Unsecured note payable to The Garatoni Family Foundation, due and payable December 31, 2015, plus interest at 1% per annum	3,552,946	3,574,346
Unsecured note payable to Larry Garatoni, due and payable December 31, 2015, plus interest at 1% per annum.....	7,664,035	6,320,612
Term note payable to Crescent Michiana Properties LLC, payable $8,520 monthly, including interest at 7.25% per annum, maturing in October 2021, secured by land and building and guaranteed by The Garatoni Family Foundation	638,073	691,913
Note payable to the Indiana Common School Fund, payable $14,555 semi-annually beginning July 1, 2013, plus interest at 4% per annum, maturing in July 2033, secured by unpaid tuition support distributions	-	582,218
Total long-term debt.....	12,605,054	12,419,089
Less: current portion	(557,876)	(553,840)
	$12,047,178	11,865,249

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(5) Long-Term Debt, Continued

Principal maturities of long-term debt are scheduled as follows:

Year Ending June 30:	
2014	$ 557,876
2015	312,214
2016	11,283,859
2017	71,891
2018	77,279
Thereafter	301,935
	$12,605,054

(6) Leases

The School leases certain items of equipment under operating leases. The equipment leases provide for monthly lease payments through April 2017. Lease expense under operating leases for the years ended June 30, 2013 and 2012 was $7,076 and $9,516.

Future minimum lease obligations are as follows:

Year Ended June 30:	
2014	$7,076
2015	7,076
2016	7,076
2017	1,328

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. The charter remains in effect until June 30, 2016 and is renewable thereafter by mutual consent. Payments under this charter agreement were $32,513 and $27,044 for the years ended June 30, 2013 and 2012, respectively.

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(8) Retirement Plan

Retirement benefits for certified teachers are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Under the plan, the School contributes 7.5% of compensation for all participating personnel. Employees can opt to participate in a 401(k) plan offered through Freedom Retirement Plan Consultants, Inc. in lieu of participating in TRF. The School also contributes 7.5% of compensation to the 401(k) plan. Substantially all full-time employees are eligible to participate in either plan. Retirement plan expense under both plans for the years ended June 30, 2013 and 2012 was $111,986 and $52,302, respectively.

(9) Related Party Transactions

In the years ended June 30, 2013 and 2012, the School obtained financing from The Garatoni Family Foundation and Larry Garatoni, individually (see Note 5), relating to the construction of the school facility. Larry Garatoni is the President of the School's Board of Directors and the chief executive officer of HQ Investments Corporation, which manages the investments of The Garatoni Family Foundation. The School also received contributions totaling $710,000 directly and indirectly from The Garatoni Family Foundation in the year ended June 30, 2012.

(10) Restrictions on Net Assets

Temporarily restricted net assets as of December 31, 2013 and 2012 were available for the following purposes:

	2013	2012
Debt obligation repayment	$750,000	1,250,000
Purchase of welding equipment.	100,000	-
	$850,000	1,250,000

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(10) Restrictions on Net Assets, Continued

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. In 2013 and 2012, the program purpose restrictions were accomplished by the repayment of required debt obligations.

Temporarily restricted net assets for debt obligation repayment represent an original $1,500,000 pledge of tax increment revenues by the South Bend Redevelopment Commission toward the repayment of the School's debt obligation under the City of South Bend economic development revenue bonds (see Note 5). These amounts are considered to be temporarily restricted in that they are limited as to use in future periods. The pledge is to be paid in quarterly installments through November 2014. Payments of $500,000 and $250,000 were received in the years ended June 30, 2013 and 2012.

(11) Risks and Uncertainties

The School provides educational instruction services to families residing in St. Joseph and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2013 and 2012, substantially all of the accounts receivable balance was due from the State of Indiana.

(12) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2013, the School had refundable grant advances in excess of expenditures of $51,119.

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(13) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the years ended June 30, 2013 and 2012:

	2013		
	Educational Instruction	Education Support	Administrative
Salaries and wages	$1,103,018	176,810	463,805
Employee benefits	283,310	38,586	121,860
Professional services	312,720	26,031	119,259
Staff development and recruitment	18,213	-	-
Authorizer oversight fee	-	-	32,513
Food costs	-	15,674	-
Travel/transportation service	12,207	16,814	14,083
Equipment and rentals	14,895	-	31,077
Repairs and maintenance	-	59,909	-
Classroom, kitchen and office supplies	400,828	38,032	33,614
Occupancy	217,116	-	-
Advertising	-	-	84,564
Depreciation	492,685	-	-
Interest	-	-	209,638
Insurance	-	-	21,288
Other	3,690	20,104	34,975
	$2,858,682	391,960	1,166,676

CAREER ACADEMY OF SOUTH BEND, INC.

Notes to Financial Statements

(13) Functional Expense Reporting Continued

	2012		
	Educational Instruction	Education Support	Administrative
Salaries and wages	$ 668,319	99,908	349,828
Employee benefits	157,693	25,946	118,218
Professional services	40,029	21,959	107,715
Staff development and recruitment	41,045	-	-
Authorizer oversight fee	-	-	27,044
Food costs	-	36,355	-
Travel/transportation service	1,680	1,240	10,094
Equipment and rentals	10,595	-	24,796
Repairs and maintenance	-	4,399	-
Classroom, kitchen and office supplies	132,490	16,521	23,458
Occupancy	265,091	-	-
Advertising	-	-	58,183
Depreciation	234,155	-	-
Interest	-	-	162,951
Insurance	-	-	5,086
Other	2,214	16,101	26,930
	$1,553,311	222,429	914,303

CAREER ACADEMY OF SOUTH BEND, INC.

Other Reports

Year Ended June 30, 2013

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Career Academy of South Bend, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

Financial Audit Reports for Each Charter School

COMMUNITY MONTESSORI, INC.

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

Financial Audit Reports for Each Charter School

COMMUNITY MONTESSORI, INC.

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Community Montessori, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Community Montessori, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Community Montessori, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
August 15, 2014

COMMUNITY MONTESSORI, INC.

Statements of Financial Position

Assets	June 30 2014	June 30 2013
Current assets:		
Cash and cash equivalents	$ 2,254,177	1,917,989
Bank certificate of deposit	224,622	223,503
Accounts receivable:		
State education support	1,477,941	1,477,941
Grants	14,959	19,947
Other	35,948	26,235
Less: allowance for funding reduction	(1,477,941)	(1,477,941)
Less: allowance for doubtful accounts	(21,288)	(10,280)
Accounts receivable, net	29,619	35,902
Unconditional promise to give, currently due	-	56,000
Prepaid expenses	18,285	19,298
Total current assets	2,526,703	2,252,692
Property and equipment, net	9,333,172	9,621,364
	$ 11,859,875	11,874,056
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 248,684	228,643
Current portion of long-term debt	497,206	487,354
Current portion of capital lease obligation	-	6,749
Deferred revenue	148,211	132,850
Total current liabilities	894,101	855,596
Long-term debt, less current portion	7,086,528	7,577,739
Total liabilities	7,980,629	8,433,335
Net assets:		
Unrestricted net assets	3,869,063	3,371,020
Temporarily restricted net assets	10,183	69,701
Total net assets	3,879,246	3,440,721
	$ 11,859,875	11,874,056

COMMUNITY MONTESSORI, INC.

Statement of Activities

	Year Ended June 30, 2014		
Revenue, Gains and Support	Unrestricted	Temporarily Restricted	Total
State education support	$ 3,117,303	-	3,117,303
Program fees	335,347	-	335,347
Grant revenue	107,561	-	107,561
Materials and supplies fees	142,768	-	142,768
Contributions	7,709	4,811	12,520
Fundraising	45,773	-	45,773
Interest income	7,361	-	7,361
Other	28,384	-	28,384
Net assets released from restrictions	64,329	(64,329)	-
Total revenue, gains and support	3,856,535	(59,518)	3,797,017
Expenses			
Salaries and wages	1,766,888	-	1,766,888
Employee benefits	427,302	-	427,302
Staff development and recruitment	17,058	-	17,058
Professional fees	59,928	-	59,928
Program expenses	15,844	-	15,844
Supplies	97,833	-	97,833
Travel	4,211	-	4,211
Dues, licenses, and subscriptions	91,002	-	91,002
Occupancy	143,919	-	143,919
Insurance	27,575	-	27,575
Minor equipment	50,667	-	50,667
Interest	279,484	-	279,484
Depreciation	288,192	-	288,192
Fundraising	28,038	-	28,038
Bad debts	-	-	-
Other	60,551	-	60,551
Total expenses	3,358,492	-	3,358,492
Change in net assets	498,043	(59,518)	438,525
Net assets, beginning of year	3,371,020	69,701	3,440,721
Net assets, end of year	$ 3,869,063	10,183	3,879,246

COMMUNITY MONTESSORI, INC.

Statement of Activities

	Year Ended June 30, 2013		
Revenue, Gains and Support	Unrestricted	Temporarily Restricted	Total
State education support	$ 3,068,681	-	3,068,681
Program fees	316,056	-	316,056
Grant revenue	206,211	-	206,211
Materials and supplies fees	139,559	-	139,559
Contributions	22,459	4,999	27,458
Fundraising	45,118	-	45,118
Interest income	7,011	-	7,011
Net assets released from restrictions	62,966	(62,966)	-
Total revenue, gains and support	3,868,061	(57,967)	3,810,094
Expenses			
Salaries and wages	1,527,429	-	1,527,429
Employee benefits	367,954	-	367,954
Staff development and recruitment	5,223	-	5,223
Professional fees	88,065	-	88,065
Program expenses	11,813	-	11,813
Supplies	104,090	-	104,090
Travel	2,077	-	2,077
Dues, licenses, and subscriptions	64,294	-	64,294
Occupancy	120,791	-	120,791
Insurance	23,800	-	23,800
Minor equipment	74,615	-	74,615
Interest	347,803	-	347,803
Depreciation	294,992	-	294,992
Fundraising	44,589	-	44,589
Bad debts	2,740	-	2,740
Other	58,656	-	58,656
Total expenses	3,138,931	-	3,138,931
Change in net assets from operations	729,130	(57,967)	671,163
Non-Operating Income (Expense)			
Gain on repayment of indebtedness	861,897	-	861,897
Loss on elimination of School funding	(1,477,941)	-	(1,477,941)
Change in net assets	113,086	(57,967)	55,119
Net assets, beginning of year	3,257,934	127,668	3,385,602
Net assets, end of year	$ 3,371,020	69,701	3,440,721

COMMUNITY MONTESSORI, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 438,525	55,119
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss due to changes in legislative funding	-	616,044
Depreciation	288,192	294,992
Change in:		
Accounts receivable	6,284	(78,298)
Unconditional promise to give	56,000	56,000
Prepaid expenses	1,013	50,437
Accounts payable and accrued expenses	20,041	(39,065)
Deferred revenue	15,360	3,577
Net cash provided by operating activities	825,415	958,806
Investing Activities		
Additions to certificates of deposit	(1,119)	-
Maturity of certificate of deposit	-	230,739
Net cash provided (used) by investing activities	(1,119)	230,739
Financing Activities		
Principal repayments of long-term debt	(481,359)	(543,106)
Principal payments on capital lease obligations	(6,749)	(8,061)
Net cash used by financing activities	(488,108)	(551,167)
Net increase in cash	336,188	638,378
Cash and cash equivalents, beginning of year	1,917,989	1,279,611
Cash and cash equivalents, end of year	$ 2,254,177	1,917,989
Supplemental information:		
Cash payments for interest	$ 280,874	303,367

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Community Montessori, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School also provides an early childhood education program for children ages three and four on a fee basis. For the year ended June 30, 2014, the School served approximately 595 students in preschool through high school.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other publicly funded schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

Program fees and materials and supplies fees are paid by families based on the number of children enrolled, and are recognized in the academic school year to which the payments pertain.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable relate primarily to activities funded under grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful account is deemed necessary with regard to such receivables. The allowance for funding reduction is described in Note 2. Other receivables are reviewed for collectability on an annual basis. The accompanying financial statements reflect an allowance for doubtful accounts of $21,288 as of June 30, 2014 ($10,280 as of June 30, 2013) relating to program fees.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Deferred Income

Deferred income consists of early education program fee deposits and materials and supplies fee deposits received as part of the enrollment process for the subsequent academic school year.

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $5,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Buildings and improvements	40 years
Furniture and equipment	3 to 7 years

Taxes on Income

Community Montessori, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through August 15, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July 2013 to December 2013 was suspended. This elimination of funding resulted in a non-operating loss of $1,477,941.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013. The repayment of debt resulted in non-operating income of $861,897 comprised of the following:

Repayment of Common School Fund loans.....	$ 733,133
Repayment of accrued interest on Common School Fund loans.....	128,764
	$ 861,897

The School believes that it has been adversely affected by the legislative changes relating to the elimination of funding, and is pursuing relief through its elected representatives and the Indiana Department of Education. The prospect for success is unknown as of June 30, 2014. The School continues to carry a receivable relating to the funding reduction on its books, offset by a collectability allowance in the same amount.

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

(3) Property and Equipment

Property and equipment consisted of the following as of June 30, 2014 and 2013:

	2014	2013
Land	$ 140,296	140,296
Building and improvements.	11,205,490	11,205,490
Furniture and equipment	164,482	164,482
	11,510,268	11,510,268
Less: accumulated depreciation	(2,177,096)	(1,888,904)
	$ 9,333,172	9,621,364

(4) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Note payable to Stock Yards Bank & Trust, payable $26,716 monthly, including interest at 2.77% per annum, maturing in October 2025	$3,017,786	3,255,784
Note payable to Stock Yards Bank & Trust, payable $13,088 monthly, including interest at 5.75% per annum, maturing in July 2021	809,440	911,689
Note payable to Main Source Bank, payable $23,592 monthly, including interest at 3.7% per annum, maturing in October 2032	3,756,508	3,897,620
	7,583,734	8,065,093
Less: current portion	(497,206)	(487,354)
	$7,086,528	7,577,739

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

(4) Long-Term Debt, Continued

The notes payable to Stock Yards Bank & Trust and Main Source Bank are the result of Economic Development Revenue Bonds issued by the Town of Sellersburg, Indiana. These notes are secured by first and second mortgages on the land and building as well as a security interest in all fixtures, equipment and machinery installed therein. In addition, the Charter School Development Corporation, an unrelated not-for-profit organization, has pledged certificates of deposit as additional collateral. The interest rates on these loans reset at periodic intervals based on current U.S. Treasury Bond yields.

The loan agreements contain certain covenants that limit the School's ability to create liens, incur indebtedness or guarantees, purchase or dispose of assets, or change the nature of the business. The agreements also contain financial maintenance covenants establishing a minimum debt service coverage ratio. The School exceeded the minimum debt service coverage ratio in each of the years ended June 30, 2014 and 2013.

Principal maturities of long-term debt are scheduled as follows:

Year Ending June 30:	
2015	$ 497,206
2016	516,383
2017	535,986
2018	556,408
2019	577,689
Thereafter	4,900,062
	$7,583,734

(5) Commitments and Contingencies

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent. Expense under this agreement was $68,466 and $38,520 for the years ended June 30, 2014 and 2013, respectively.

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

(6) Leases

The School leases certain items of office equipment under operating leases. For the years ended June 30, 2014 and 2013, rent expense under these leases was $7,330 and $6,903, respectively. Future minimum lease obligations for non-cancellable operating leases with an initial lease term in excess of one year are as follows:

Year Ending June 30:	
2015	$ 3,998
2016	3,998
2017	2,999

(7) Related Party Transactions

The School purchased various supplies from a company whose owner is related to a management employee of the School. Total purchases for the years ended June 30, 2014 and 2013 were $15,912 and $17,788, respectively. At June 30, 2014, there was a balance owing to this vendor of $1,839.

(8) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. For the years ended June 30, 2014 and 2013, the School contributed 7.5% of compensation for teaching staff to TRF. The contribution to PERF for other employees was 8.25% of compensation until December 31, 2013, and 9.75% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was $138,169 and $99,773 for the years ended June 30, 2014 and 2013, respectively.

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

(9) Restricted Net Assets

Temporarily restricted net assets represent contributions that have been received but not expended for the identified purposes or have been donated for use in future periods. Temporarily restricted net assets as of June 30, 2014 and 2013 were available for the following purposes:

	2014	2013
Community activities	$ 1,484	1,612
Teen technology computers	-	5,280
Scholarships	4,075	3,575
Teen support group	2,243	2,010
School functions	2,381	1,224
For use in subsequent periods	-	56,000
	$ 10,183	69,701

During 2014 and 2013, net assets of $64,329 and $62,966, respectively, were released from restriction by incurring expenses satisfying the restricted purposes or due to the passage of time.

(10) Risks and Uncertainties

The School provides educational instruction services to families residing in Floyd and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

Like other public funded schools, the majority of revenues relate to legislation enacted by the State of Indiana or grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. In addition, deposits maintained at Stock Yards Bank & Trust generally exceed the FDIC insurance limit.

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

(11) Functional Expense Reporting

The costs of providing the educational activities are summarized below on a functional basis for the years ended June 30, 2014 and 2013. Certain expenses have been allocated among the programs and services benefited.

	2014		
	Program Services	Management and General	Fundraising
Salaries and wages	$1,502,087	264,801	-
Employee benefits	363,262	64,040	-
Staff development and recruitment	17,058	-	-
Professional fees	53,795	6,133	-
Program expenses	15,844	-	-
Supplies	85,562	12,271	-
Travel	-	4,211	-
Dues, licenses, and subscriptions	-	91,002	-
Occupancy	143,919	-	-
Insurance	-	27,575	-
Minor equipment	50,667	-	-
Interest	279,484	-	-
Depreciation	288,192	-	-
Fundraising	-	-	28,038
Other	26,156	34,395	-
	$2,826,026	504,428	28,038

COMMUNITY MONTESSORI, INC.

Notes to Financial Statements

(11) Functional Expense Reporting, Continued

	2013		
	Program Services	Management and General	Fundraising
Salaries and wages	$1,283,275	244,154	-
Employee benefits	320,592	47,362	-
Staff development and recruitment	5,223	-	-
Professional fees	63,140	24,925	-
Program expenses	11,813	-	-
Supplies	83,380	20,710	-
Travel	-	2,077	-
Dues, licenses, and subscriptions	-	64,294	-
Occupancy	120,791	-	-
Insurance	-	23,800	-
Minor equipment	74,615	-	-
Interest	347,803	-	-
Depreciation	294,992	-	-
Fundraising	-	-	44,589
Bad debts	-	2,740	-
Other	32,377	26,279	-
	$2,638,001	456,341	44,589

COMMUNITY MONTESSORI, INC.

Exit Conference

Year Ended June 30, 2014

The contents of this report were discussed on September 9, 2014 with Barbara Burke Fondren (School Director), Joanne Kiefer (Administrative Services – Finance Coordinator), and Nicole Yates (Board President).

Financial Audit Reports for Each Charter School

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Year Ended June 30, 2013

Financial Audit Reports for Each Charter School

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Wieland & Company, Inc.
Certified Public Accountants

12 West Wilson Street
Batavia, Illinois 60510
Phone (630) 406-4490
Fax (630) 406-4491

Independent Auditor's Report

To the Board of Directors
Duneland Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Duneland Charter School, Inc. d/b/a Discovery Charter School (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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. 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 entity'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 entity'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 Duneland Charter School, Inc. d/b/a Discovery Charter School as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report – Continued

Report on Summarized Comparative Information

The prior year comparative information has been derived from the School's financial statements as of and for the year ended June 30, 2012. Those financial statements were audited by other auditors whose report dated May 1, 2013, expressed an unqualified opinion on those financial statements.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wieland & Company, Inc.

Batavia, Illinois
December 19, 2013

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 and 2012

	2013	2012
ASSETS:		
Cash	$ 101,622	$ 220,550
Accounts Receivable:		
State Education Support	–	936,016
Grants	–	4,078
Unconditional Promise to Give	20,115	22,500
Prepaid Expenses	5,986	22,963
Security Deposit	43,620	43,620
Property and Equipment:		
Textbooks	63,982	60,062
Leasehold Improvements	378,668	42,360
Furniture and Equipment	644,975	590,336
	1,087,625	692,758
Accumulated Depreciation	(271,442)	(149,812)
Net Property and Equipment	816,183	542,946
TOTAL ASSETS	$ 987,526	$ 1,792,673
LIABILITIES AND NET ASSETS:		
Accounts Payable and Accrued Expenses	$ 355,073	$ 608,050
Construction Contract Payable	259,518	–
Long-Term Debt	144,119	1,185,042
Capital Lease Obligation	19,484	59,194
TOTAL LIABILITIES	778,194	1,852,286
NET ASSETS (DEFICIT)		
Unrestricted	209,332	(59,613)
TOTAL LIABILITIES AND NET ASSETS	$ 987,526	$ 1,792,673

See Accompanying Notes to Financial Statements.

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2013 and 2012

	2013	2012
SUPPORT AND REVENUES:		
State Education Support	$ 2,379,875	$ 1,872,105
Grant Revenue	549,291	525,502
Student Fees	83,498	76,089
Contributions	3,264	17,069
Other	6,590	10,358
TOTAL SUPPORT AND REVENUES	3,022,518	2,501,123
EXPENSES:		
Program Services:		
Eductional Instruction	1,901,850	1,621,194
Education Support	298,745	384,040
Administrative	552,978	459,081
TOTAL EXPENSES	2,753,573	2,464,315
INCREASE IN NET ASSETS	268,945	36,808
NET ASSETS (DEFICIT) AT BEGINNING OF YEAR	(59,613)	(96,421)
NET ASSETS (DEFICIT) AT END OF YEAR	$ 209,332	$ (59,613)

See Accompanying Notes to Financial Statements.

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in Net Assets	$ 268,945	$ 36,808
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided (Used) in Operating Activities:		
Depreciation	121,630	93,550
Decrease (Increase) in:		
Accounts Receivable	(207,288)	110,500
Prepaid Expenses	16,977	(6,179)
Unconditional Promises to Give	2,385	37,500
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	(279,084)	24,077
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	(76,435)	296,256
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Payments on Construction Contract	(65,000)	–
Other Cash Payments for Property and Equipment	(70,349)	(205,700)
NET CASH USED IN INVESTING ACTIVITIES	(135,349)	(205,700)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from State of Indiana Loans	191,922	143,687
Principal Repayments on Long-term Debt	(59,356)	(56,466)
Principal Reduction of Capital Lease Obligation	(39,710)	(39,300)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	92,856	47,921
NET INCREASE (DECREASE) IN CASH	(118,928)	138,477
CASH AT BEGINNING OF YEAR	220,550	82,073
CASH AT END OF YEAR	$ 101,622	$ 220,550
SUPPLEMENTAL DISCLOSURES:		
Cash Paid for Interest Expense	$ 14,563	$ 18,073
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Costs Incurred Under Construction Contract	$ 324,518	$ –
Construction Contract Payable	(259,518)	–
Cash Payments on Construction Contract	$ 65,000	$ –
Indiana Common School Fund Debt Forgiveness		
Principal	$ 1,147,382	$ –
Accrued Interest	78,696	–
Total Amount Forgiven	$ 1,226,078	$
Deferral of Debt Obligation in Exchange for Service Agreement		
Debt Service Payments Reclassified to Trade Payables	$ 35,366	$ 29,034
Equipment Obtained Under Capital Lease	$ –	$ 40,620

See Accompanying Notes to Financial Statements.

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

NOTE A - NATURE OF ACTIVITIES

Duneland Charter School, Inc. d/b/a Discovery Charter School (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School commenced operations with the 2010-2011 school year.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other liabilities.

Promises to Give and Revenue Recognition

Grants and gifts are recognized when a grantor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities. It is the School's policy to report contributions with temporary restrictions that are satisfied in the same fiscal year as receipt as unrestricted contributions in the statement of activities. At June 30, 2013 and 2012, there are no temporarily or permanently restricted net assets.

Conditional promises to give are recognized as support when the conditions on which they depend are substantially met. Support from grants and other agreements that in substance constitutes an exchange for services from the School is recognized when earned.

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. Management provides for probable uncollectible promises using the allowance method. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Use of Estimates

The preparation of financial statements in conformity with auditing standards generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the School considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents. At June 30, 2013 and 2012, there were no cash equivalents.

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The School reports expirations of donor restrictions when the donated or acquired assets are place in service as instructed by the donor.

Purchased property and equipment are recorded at acquisition cost. Depreciation is charged against income over the estimated useful lives of the related property using the straight-line method. The estimated useful lives generally are as follows:

Textbooks	5 years
Leasehold Improvements	39 years
Furniture and equipment	3 – 7 years

Depreciation expenses totaled $121,630 and $93,550 during the eyars ended June 30, 2013 and 2012, respectively.

Income Taxes

The School applied for and has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity and had no income unrelated to its tax-exempt purpose. Accordingly, income taxes are not provided for in the financial statements. The years ended June 30, 2010 through 2013 remain subject to examination by the taxing authorities.

The financial statement effects of a tax position taken or expected to be taken are recognized when it is more likely than not, based on technical merits, that the position will be sustained upon examination. As of June 30, 2013, the School had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

NOTE C – ACCOUNTS RECEIVABLE AND TUITION SUPPORT

Tuition support is determined by state law and is dependent upon the geographical location of the school and is indexed to the poverty data of the enrolled students. The payment schedule is likewise determined by state law. Accounts receivable for state education support of $936,016 at June 30, 2012, represents accrued tuition support and grant revenues for costs incurred. Effective with the year ended June 30, 2013, the State of Indiana changed its funding period from the calendar year following the start of the school year to the fiscal year ending June 30th (see Note F). Consequently all state education support due for the period through June 30, 2013 had been received.

NOTE D – PROMISES TO GIVE

Unconditional promises to give of $20,115 and $22,500 recorded at June 30, 2013 and 2012, respectively, represent grants awarded by the U. S Department of Education for the Rural Education Achievement Program.

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE E – CONSTRUCTION CONTRACT

During the year ended June 30, 2013, the School entered a contract for the construction of additional classrooms and related space in its leased facility at a total cost of $324,518. Construction was completed in December 2012. The contractor agreed to monthly minimum payments of $5,000 until permanent financing can be arranged. The remaining balance under the contract was $259,518 at June 30, 2013. The School is presently in the process of procuring long-term financing.

NOTE F – INDIANA COMMON SCHOOL FUND DEBT FORGIVENESS

During the year ended June 30, 2013, in conjunction with the State of Indiana changing its funding period for education support from the calendar year following the start of the school year to the fiscal year ending June 30th, outstanding loans made to charter schools from the Indiana Common School Fund were forgiven. The total amount forgiven to the School was $1,226,078 consisting of principal and accrued interest of $1,147,382 and $78,696, respectively. The amount was recorded as an offset of accounts receivable due for state education support accrued at the date of forgiveness (see Note C)

NOTE G – LONG-TERM DEBT

Long-term debt consists of the following at June 30, 2013 and 2013:

	2013	2012
Notes payable to the Indiana Common School Fund which originally required semi-annual payments of principal and interest over a period of 20 years with interest at 4% per annum. In 2011, the Indiana Common School Fund granted a moratorium on loan payments and in 2013 all amount due were forgiven (see Note F).	$ -	$ 955,460
The School has an agreement with Food Service Professionals ("FSP") to operate the student lunch program. As part of the agreement, the School acquired certain kitchen equipment from FSP in exchange for a non-interest bearing note payable. Repayment of the note was scheduled to be made on a monthly basis over a three-year period. Unpaid installments due under the note have been reclassified to accounts payable. At June 30, 2013, the School owed FSP $161,001 which is reported in accounts payable in the accompanying statement of financial position.	4,891	30,998

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE G – LONG-TERM DEBT - CONTINUED

Long-term debt consists of the following at June 30, 2013 and 2013:

	2013	2012
The note payable to IFF is a term loan with an original principal amount of $300,000. The loan is payable in equal monthly installments of $5,661, including interest at 5% per annum, through August 1, 2015.	139,228	198,584
	$ 144,119	$ 1,185,042

Future maturities of long-term debt are as follows:

Year Ending June 30,	
2014	$ 67,283
2015	76,836
	$ 114,119

NOTE H – LEASES AS LESSEE

Capital Leases

The School leases computer equipment under capital leases. At June 30, 2013, the cost and accumulated depreciation of the equipment relating to the leases were $121,417 and $65,191, respectively.

Future minimum lease payments under the capital leases are as follows at June 30, 2013:

Year Ending June 30,	
2014	$ 17,820
2015	2,548
	20,368
Less interest	(884)
	$ 19,484

Operating Leases

The School leases its permanent facility and a modular building. Total rent expense was $244,479 and $263,208 during the years ended June 30, 2013 and 2012, respectively. The permanent facility's agreement is a net operating lease expiring on June 30, 2015. Future annual minimum lease payments under the agreement are as follows:

Year Ending June 30,	
2014	$ 239,292
2015	244,078
	$ 483,370

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE I – MANAGEMENT AND OVERSIGHT FEES

Management

The School contracted with American Quality Schools, a not-for-profit organization incorporated in the State of Illinois, to provide management, administrative and educational programming services. Under the terms of the agreement, the School has agreed to pay an amount equal to 6% of revenues, as defined, for such services. The contract commenced December 1, 2008 and expires June 30, 2015. Fees incurred under the contract totaled $112,500 and $106,880 for the years ended June 30, 2013 and 2012, respectively.

Oversight

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charter, the School has agreed to pay Ball State University an annual administrative fee equal to 3% of state tuition support. The charter remains in effect until June 30, 2015, and is renewable thereafter by mutual consent. Fees incurred under this agreement were $61,416 and $46,406 for the years ended June 30, 2013 and 2012, respectively.

NOTE J – RETIREMENT PLAN

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-owner defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public System Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 7.25% of compensation for other employees to PERF. Substantially all full-time employees are eligible to participate. Retirement plan expenses totaled $93,819 and $84,346 during the years ended June 30, 2013 and 2012, respectively.

The School also maintains a Section 403(b) retirement plan with American Quality Schools, Inc. Employees may contribute up to 100% of their employer providing they are at least 18 years of age and have at least 30 days of employment. There is no provision for an employer match.

NOTE K – CONTINGENCY

The School has been assessed a penalty of $22,300 by the Internal Revenue Service for the inadvertent late filing of Form 990 - *Return of Organization Exempt From Income Tax* for the year ended June 30, 2012. Management has appealed the penalty for reasonable cause and believes it will be abated. However, the ultimate outcome of the matter is not determinable as of the date of this report.

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2013

NOTE L – RISKS AND UNCERTAINTIES

The School provides education services to families residing in Porter and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Deposit accounts are maintained at Chase Bank which frequently exceed federally insured limit..

NOTE M – SUBSEQUENT EVENTS

Management has evaluated subsequent events to December 19, 2013, the date on which the financial statements were available to be issued.

Financial Audit Reports for Each Charter School

ADDITIONAL INFORMATION

Financial Audit Reports for Each Charter School

DUNELAND CHARTER SCHOOL, INC.
d/b/a
DISCOVERY CHARTER SCHOOL

SCHEDULES OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013
(With Summarized Financial Information for the Year Ended June 30, 2012)

	Year Ended June 30, 2013				
	Educational Instruction	Education Support	Administrative	Total	2012 Total
Classroom, Kitchen and Office Supplies	$ 47,181	$ 10,148	$ 13,465	$ 70,794	$ 50,169
Depreciation	103,386	12,163	6,081	121,630	93,550
Employee Costs					
Salaries and Wages	1,087,415	58,262	137,510	1,283,187	1,135,252
Payroll Taxes and Benefits	271,347	15,930	33,801	321,078	294,674
Food Service	—	30,914	—	30,914	24,685
Insurance	—	—	26,030	26,030	25,492
Interest	—	—	57,009	57,009	30,661
Management and Oversight Fees	—	—	111,719	111,719	153,286
Miscellaneous	—	3,553	3,760	7,313	6,427
Occupancy					
Rents	207,172	11,099	26,208	244,479	263,208
Repairs and Maintenance	122,470	6,561	15,494	144,525	142,210
Utilities	34,182	1,831	4,325	40,338	33,859
Professional Services	28,697	81,341	99,733	209,771	143,057
Rentals, Equipment	—	11,083	—	11,083	20,182
Staff Development and Recruitment	—	7,716	—	7,716	2,353
Telephone	—	—	17,843	17,843	17,455
Transportation Service	—	48,144	—	48,144	27,795
	$ 1,901,850	$ 298,745	$ 552,978	$ 2,753,573	$ 2,464,315

Financial Audit Reports for Each Charter School

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

Financial Audit Reports for Each Charter School

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **East Chicago Lighthouse Charter School** (an operating component of Lighthouse Academies of Northwest Indiana, Inc., a not-for-profit corporation), which comprise of statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 entity'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 entity'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.

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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 East Chicago Lighthouse Charter School as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015 on our consideration of East Chicago Lighthouse Charter 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 East Chicago Lighthouse Charter School's internal control over financial reporting and compliance.

Indianapolis, IN
February 12, 2015

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 480,808	244,138
Accounts receivable:		
Grants	158,404	95,869
Other	28,637	88,733
Prepaid expenses	20,000	21,685
Total current assets	687,849	450,425
Security deposit	-	8,000
Property and equipment:		
Land	418,800	-
Building and improvements	2,554,510	-
Leasehold improvements	-	628,933
Furniture and equipment	166,646	157,710
Less: accumulated depreciation	(201,082)	(345,876)
Property and equipment, net	2,938,874	440,767
	$ 3,626,723	899,192
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 397,948	256,509
Current portion of long-term debt	250,000	-
Current portion of capital lease obligations	8,259	-
Refundable advances	47,332	20,417
Total current liabilities	703,539	276,926
Deferred rent payable	-	181,603
Long-term debt	-	250,000
Capital lease obligations	2,591,741	-
Total liabilities	3,295,280	708,529
Unrestricted net assets	331,443	190,663
	$ 3,626,723	899,192

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 3,140,108	4,316,585
Grant revenue	1,083,782	1,390,035
Student fees	19,779	43,392
Fundraising income	31,564	66,548
Other	215	73
Total revenue and support	4,275,448	5,816,633
Expenses		
Program services	2,872,427	4,506,504
Management and general	1,244,105	1,098,408
Fundraising	18,136	38,979
Total expenses	4,134,668	5,643,891
Change in net assets before non-operating expense	140,780	172,742
Non-Operating Expense		
Loss due to changes in legislative funding	-	(23,603)
Increase in net assets	140,780	149,139
Net assets, beginning of year	190,663	41,524
Net assets, end of year	$ 331,443	190,663

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 140,780	149,139
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Loss due to changes in legislative funding	-	23,603
Contribution of capital assets	(162,207)	-
Depreciation	91,433	94,437
Change in:		
Accounts receivable	(2,439)	(409,194)
Prepaid expenses	9,685	79,595
Accounts payable and accrued expenses	141,439	(11,174)
Refundable advances	26,915	1,631
Deferred rent payable	-	(10,653)
Net cash provided (used) by operating activities	245,606	(82,616)
Investing Activities		
Purchase of property and equipment	(8,936)	-
Net cash used by investing activities	(8,936)	-
Net increase (decrease) in cash	236,670	(82,616)
Cash and cash equivalents, beginning of year	244,138	326,754
Cash and cash equivalents, end of year	$ 480,808	244,138
Supplemental disclosures:		
Cash paid for interest expense	$ 255,563	11,250
Non-cash investing and financing activities:		
Land and building acquired under capital lease	$ 2,600,000	-

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

East Chicago Lighthouse Charter School (the "School") is a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The sponsor has granted a charter to the School's organizer, Lighthouse Academies of Northwest Indiana, Inc. ("LANWI"), a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. LANWI is the organizer and governing body of two charter schools located in Indiana that were assumed from Lighthouse Academies of Indiana, Inc. as of July 1, 2013. LANWI has entered into a service agreement with Lighthouse Academies, Inc., a not-for-profit organization incorporated in the State of Delaware to provide educational, managerial, legal, and financial services to the School.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through February 12, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $5,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building and improvements	30 years
Leasehold improvements.....	10 years
Furniture and equipment	5 years

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Deferred Rent Payable

The operating lease on the school facility contained a provision for future rent increases. In accordance with generally accepted accounting principles, the School recorded monthly rent expense equal to the total payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense and recorded and the amount paid was reflected as deferred rent payable in the accompanying statements of financial position. With the execution of a new capital lease on the school facility (see Note 4), the balance of the deferred rent payable has been recorded in the cost of the building.

Taxes on Income

Lighthouse Academies of Northwest Indiana, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require Lighthouse Academies of Northwest Indiana, Inc. to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Lighthouse Academies of Northwest Indiana, Inc. has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a loss due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	$1,869,187
Repayment of accrued interest on Common School Fund loans....	265,503
	2,134,690
Elimination of School funding	(2,158,293)
	$ (23,603)

(3) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 was comprised of a note payable to Lighthouse Academies, Inc. in the amount of $250,000. Lighthouse Academies, Inc. is under contract to manage the School. The note provides for monthly interest payments at 4.5% per annum. Principal payments are due and payable at such times as the School has unencumbered funds to make a payment when considering other debts then currently owing. The remaining unpaid balance is due in November 2014. The note is secured by certain items of personal property.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(4) Leases

In July 2010, the School executed a 10-year sublease with East Chicago Lighthouse Facility, LLC on a building used as its school facility. East Chicago Lighthouse Facility, LLC is indirectly owned by Lighthouse Academies, Inc., which provides management services to the School. The lease required initial minimum monthly payments of $15,000, with an annual escalator of 2%.

The School also executed a lease agreement with the Roman Catholic Diocese of Gary with regard to a second facility that became effective July 15, 2011. This lease required minimum monthly rental of $8,334 and expired on July 14, 2013.

On August 28, 2013, the land and building comprising the school facility was acquired by CFM – NW Indiana, LLC, an entity controlled by CFM, Inc. CFM, Inc. was created by the School's management company, Lighthouse Academies, Inc., to provide facilitation and operational support of charter schools. CFM, Inc. and Lighthouse Academies, Inc. have common management personnel, but are governed by independent boards of directors.

Coincident with the purchase of the facility by CFM – NW Indiana, LLC, the existing lease was cancelled and the School entered into a new 30-year lease agreement with CFM – NW Indiana, LLC on the same facility, which is accounted for as a capital lease. Under the lease agreement, CFM – NW Indiana, LLC agreed to make improvements to the facility at an approximate cost of $3,300,000. The lease requires the School to make rental payments equal to CFM – NW Indiana, LLC's debt service obligation on bonds that it issued to purchase the facility. In addition, the School is responsible for utilities, maintenance, and insurance. The School has the option to purchase the facility at any time for $1 plus the remaining balance due on the bond debt. At June 30, 2014, the cost and accumulated depreciation relating to these assets were $2,811,103 and $66,453, respectively.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(4) Leases, Continued

Following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments as of June 30, 2014:

Year Ended June 30:	
2015	$ 335,273
2016	334,898
2017	334,810
2018	335,622
2019	335,185
Thereafter	8,378,007
	10,053,795
Less: amount representing interest	(7,453,795)
	$ 2,600,000

The School also leases textbooks, furniture and equipment on a regular basis. These leases are accounted for as operating leases and require monthly payments over a period of three years. Total lease expense under operating leases for the years ended June 30, 2014 and 2013 was $72,714 and $322,483, respectively. Obligations under operating leases as of June 30, 2014 totaled $6,882 due in 2015.

(5) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this agreement was $55,777 and $64,749 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

Lighthouse Academies of Northwest Indiana, Inc. ("LANWI") has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreement, LANWI has agreed to pay an amount equal to 7.5% of revenues, as defined, for such services. Payments under this agreement were $283,984 and $400,104 for the years ended June 30, 2014 and 2013, respectively. This agreement remains in effect until June 30, 2016.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(6) Retirement Plan

All School personnel are employees of Lighthouse Academies, Inc., which provides management services to the School. School personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, the School will match 100% of employee contributions not to exceed 4% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the LANWI board of directors. No discretionary contributions were made in 2014 and 2013. Retirement plan expense for the years ended June 30, 2014 and 2013 was $33,219 and $40,554, respectively.

(7) Refundable Advances

The School has been awarded grants from the Indiana Department of Education and other sources to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014 and 2013, the School had refundable grant advances in excess of expenditures of $47,332 and $20,417, respectively.

(8) Risks and Uncertainties

The School provides education services to families residing in Lake and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the accounts receivable balance was due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and are insured up to the FDIC insurance limit.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014		
	Program Services	Management and General	Fund-raising
Salaries and wages	$ 1,556,435	396,646	-
Employee benefits	353,889	90,186	-
Staff development and recruitment	30,115	-	-
Academic services - Lighthouse Academies	-	289,743	-
Authorizer's oversight fee	-	55,777	-
Food service	250,144	-	-
Transportation service	154,928	-	-
Other professional services	3,913	46,894	-
Property and textbook rental	78,559	-	-
Classroom, kitchen and office supplies	150,943	7,054	-
Occupancy	198,026	50,469	-
Depreciation	72,864	18,569	-
Interest	-	255,563	-
Other	22,611	33,204	18,136
	$2,872,427	1,244,105	18,136

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013		
	Program Services	Management and General	Fund-raising
Salaries and wages	$2,224,977	301,494	-
Employee benefits	466,360	63,194	-
Staff development and recruitment	78,649	-	-
Academic services - Lighthouse Academies	-	406,301	-
Authorizer's oversight fee	-	64,749	-
Food service	392,540	-	-
Transportation service	248,503	-	-
Other professional services	150,724	61,086	-
Property and textbook rental	59,528	-	-
Classroom, kitchen and office supplies	205,316	15,423	-
Occupancy	529,956	71,811	-
Depreciation	83,168	11,270	-
Interest	-	67,173	-
Other	66,783	35,907	38,979
	$4,506,504	1,098,408	38,979

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		$ 86,002
National School Lunch Program	10.555		185,693
Total for cluster			271,695
Fresh Fruit and Vegetable Program	10.582		18,851
Total for federal grantor agency			290,546
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	12-9595/13-9595	407,934
Special Education Cluster			
Special Education - Grants to States	84.027	14214-501-PN01	79,853
Charter Schools Program	84.282		2,919
English Language Acquisition Grants	84.365		17,240
Improving Teacher Quality State Grants	84.367		51,573
Total for federal grantor agency			559,519
Total federal awards expended			$ 850,065

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of East Chicago Lighthouse Charter School (the "School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Fitzgerald | Isaac LLC
Certified Public Accountants

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*

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

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 **East Chicago Lighthouse Charter School** (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, IN
February 12, 2015

Fitzgerald | Isaac LLC
Certified Public Accountants

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

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of East Chicago Lighthouse Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

Indianapolis, IN
February 12, 2015

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditor's report issued on compliance for major program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	Yes

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Other Reports

Year Ended June 30, 2014

The reports presented herein were prepared in addition to another official report prepared for the school as listed below:

Supplemental Audit Report of East Chicago Lighthouse Charter School

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Financial Audit Reports for Each Charter School

B38583

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

EAST CHICAGO URBAN ENTERPRISE ACADEMY

LAKE COUNTY, INDIANA

July 1, 2008 to June 30, 2010

FILED
03/21/2011

As of the date of this 2013-14 Accountability Report, East Chicago Urban Enterprise Academy is currently undergoing an audit by Fitzgerald and Isaac (now Donovan, P.C.) The 2011 audit is currently in process and the 2012, 2013 and 2014 audits will be performed by the same firm. On November 10, 2015, it was determined and supported by the Indiana State Board of Accounts, that Donovan, P.C. will begin auditing financials for the 2014-15 fiscal year and work backwards until all audits have been completed.

Financial Audit Reports for Each Charter School

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Vilo Bianco	07-01-08 to 06-30-11
Director of the School	Charlotte Jackson	07-01-08 to 06-30-11
President of the School Board	Rita Gillis	07-01-08 to 06-30-10
	Erika Rodriguez	07-01-10 to 06-30-11

STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE EAST CHICAGO URBAN
ENTERPRISE ACADEMY, LAKE COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Chicago Urban Enterprise Academy (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The School Corporation did not provide for audit various documents. These included various major federal program financial reports, supporting documents and explanations of adjustments to the federal funds; grant files and supporting documents for fund transfers for the nonmajor federal programs, Charter School Grant and Title V Education Technology; and supporting documents for all transfers between funds and temporary loans between funds. Also, School Corporation officials did not prepare a Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

As discussed in Note I, the School Corporation prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, except as discussed in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the School Corporation as of June 30, 2009 and 2010, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

In accordance with Government Auditing Standards, we have also issued a report dated February 16, 2011, on our consideration of the School Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of 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 not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The School Corporation has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School Corporation's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The School Corporation's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 16, 2011

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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

TO: THE OFFICIALS OF THE EAST CHICAGO URBAN ENTERPRISE ACADEMY, LAKE COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Chicago Urban Enterprise Academy (School Corporation), as of and for the years ended June 30, 2009 and 2010, which collectively comprise the School Corporation's basic financial statements and have issued our report thereon dated February 16, 2011. The opinions to the financial statements were qualified due to the School Corporation not providing for audit various documents. 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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item Finding 2010-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item Finding 2010-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School Corporation'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item Finding 2010-1.

The School Corporation's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 16, 2011

EAST CHICAGO URBAN ENTERPRISE ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2009

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 1,754,103	$ -	$ 61,456	$ (1,692,647)
Support services	939,419	19,410	234,860	(685,149)
Noninstructional services	168,957	-	-	(168,957)
Facilities acquisition and construction	710,005	-	-	(710,005)
Debt service	187,421	-	-	(187,421)
Total governmental activities	$ 3,759,905	$ 19,410	$ 296,316	(3,444,179)
General receipts				
Property taxes				821,181
Other local sources				2,786
State aid				1,840,501
Bonds and loans				488,541
Grants and contributions not restricted to specific programs				586,083
Total general receipts				3,739,092
Change in net assets				294,913
Net assets - beginning				288,386
Net assets - ending				$ 583,299
Assets				
Cash and investments				$ 583,299
Net Assets				
Unrestricted				$ 583,299

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For the Year Ended June 30, 2010

Functions/Programs	Disbursements	Program Receipts: Charges for Services	Program Receipts: Operating Grants and Contributions	Net (Disbursement) Receipts and Changes in Net Assets: Totals
Governmental activities:				
Instruction	$ 1,997,224	$ -	$ 57,137	$ (1,940,087)
Support services	988,537	14,328	264,767	(709,442)
Noninstructional services	208,951	-	-	(208,951)
Facilities acquisition and construction	226,148	-	-	(226,148)
Debt service	139,713	-	-	(139,713)
Total governmental activities	$ 3,560,573	$ 14,328	$ 321,904	(3,224,341)
General receipts				
Other local sources				16,836
State aid				2,844,343
Grants and contributions not restricted to specific programs				562,616
Total general receipts				3,423,795
Change in net assets				199,454
Net assets - beginning				583,299
Net assets - ending				$ 782,753
Assets				
Cash and investments				$ 782,753
Net Assets				
Unrestricted				$ 782,753

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	School Lunch	Title I 08/09	Fiscal Stabilization	Other	Totals
Receipts:						
Local sources	$ 823,068	$ 18,267	$ -	$ -	$ 2,042	$ 843,377
State sources	1,901,957	-	-	-	56,322	1,958,279
Federal sources	21,920	178,538	232,154	235,535	96,474	764,621
Temporary loans	488,541	-	-	-	-	488,541
Total receipts	3,235,486	196,805	232,154	235,535	154,838	4,054,818
Disbursements:						
Current:						
Instruction	1,436,295	-	156,373	890	160,545	1,754,103
Support services	884,500	-	6,841	43,509	4,569	939,419
Noninstructional services	7,920	160,901	-	136	-	168,957
Facilities acquisition and construction	691,303	-	-	18,702	-	710,005
Debt services	187,421	-	-	-	-	187,421
Total disbursements	3,207,439	160,901	163,214	63,237	165,114	3,759,905
Excess (deficiency) of receipts over disbursements	28,047	35,904	68,940	172,298	(10,276)	294,913
Other financing sources (uses):						
Transfers in		-	1,471	-	-	1,471
Transfers out	-	-	-	-	(1,471)	(1,471)
Total other financing sources (uses)	-	-	1,471	-	(1,471)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	28,047	35,904	70,411	172,298	(11,747)	294,913
Cash and investments - beginning	247,062	29,005	-	-	12,319	288,386
Cash and investments - ending	$ 275,109	$ 64,909	$ 70,411	$ 172,298	$ 572	$ 583,299
Cash and Investment Assets - Ending						
Cash and investments	$ 275,109	$ 64,909	$ 70,411	$ 172,298	$ 572	$ 583,299
Cash and Investment Fund Balance - Ending						
Unrestricted	$ 275,109	$ 64,909	$ 70,411	$ 172,298	$ 572	$ 583,299

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	School Lunch	Title I 08/09	Fiscal Stabilization	Other	Totals
Receipts:						
Local sources	$ 23,464	$ 7,615	$ -	$ -	$ 85	$ 31,164
State sources	2,901,480	-	-	-	51,529	2,953,009
Federal sources	-	213,238	-	82,358	480,258	775,854
Total receipts	2,924,944	220,853	-	82,358	531,872	3,760,027
Disbursements:						
Current:						
Instruction	1,409,918	-	52,159	87,902	447,245	1,997,224
Support services	852,004	-	5,740	89,191	41,602	988,537
Noninstructional services	9,577	198,958	-	-	416	208,951
Facilities acquisition and construction	148,578	-	-	77,570	-	226,148
Debt services	139,713	-	-	-	-	139,713
Total disbursements	2,559,790	198,958	57,899	254,663	489,263	3,560,573
Excess (deficiency) of receipts over disbursements	365,154	21,895	(57,899)	(172,305)	42,609	199,454
Other financing sources (uses)						
Transfers in	1,480	-	-	7	12,512	13,999
Transfers out	(7)	-	(12,512)	-	(1,480)	(13,999)
Total other financing sources (uses)	1,473	-	(12,512)	7	11,032	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	366,627	21,895	(70,411)	(172,298)	53,641	199,454
Cash and investments - beginning	275,109	64,909	70,411	172,298	572	583,299
Cash and investments - ending	$ 641,736	$ 86,804	$ -	$ -	$ 54,213	$ 782,753
Cash and Investment Assets - Ending						
Cash and investments	$ 641,736	$ 86,804	$ -	$ -	$ 54,213	$ 782,753
Cash and Investment Fund Balance - Ending						
Unrestricted	$ 641,736	$ 86,804	$ -	$ -	$ 54,213	$ 782,753

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

EAST CHICAGO URBAN ENTERPRISE ACADEMY
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

School Corporation, as used herein, shall include, but is not limited to, school townships, school towns, school cities, consolidated school corporations, joint schools, metropolitan school districts, township school districts, county schools, united schools, school districts, cooperatives, educational service centers, community schools, community school corporations, and charter schools.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees form of government and provides educational services.

The School Corporation's financial reporting entity is composed of the following:

Primary Government: East Chicago Urban Enterprise Academy

In determining the financial reporting entity, the School Corporation complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Joint Venture

The School Corporation is a participant in the Northwest Indiana Educational Services Center (Service Center), a joint school services program established May 30, 1985, for participating school corporations to cooperate and share programs such as curriculum development, instructional materials, needs assessment, computer utilization and in-service education. The School Corporation provides funding based on Average Daily Membership, determined annually. Complete financial statements for the Service Center can be obtained from the Service Center's administrative offices, 2939 41st Avenue, Highland, Indiana, 46322.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School Corporation reports the following major governmental funds:

The General Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The School Lunch Fund accounts for financial resources of the school lunch program.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Title I 08/09 Fund is used to account for the financial activity pertaining to the grant award for Title I for 2008/09.

The Fiscal Stabilization Fund accounts for receipts and disbursements of cash received from the federal government (fiscal stabilization – education stimulus) to be used to supplement funding of local, state, and federal programs.

C. Measurement Focus and Basis of Accounting

The government-wide and governmental fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the School Corporation utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, the School Corporation's policy is to use restricted resources first, then unrestricted resources as they are needed.

D Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the School Corporation in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the School Corporation on or prior to June 30 of the year collected.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental operations are accounted for as facilities acquisition and construction disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.

2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.

3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

G. Rounding Differences

The financial statements may contain immaterial differences due to rounding of amounts when the statements were compiled. These differences are considered trivial and do not affect the overall presentation of the financial statements.

II Stewardship, Compliance and Accountability

Cash Balance Deficits

At June 30, 2009 and 2010, the following funds reported deficits in cash, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2009	2010
Title II	$ 1,648	$ -
Special Education, Part B	-	38,144
Special Education, Part B - ARRA	-	8,207

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At June 30, 2010, the School Corporation had deposit balances in the amount of $782,753.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended June 30, 2009 and 2010, were as follows:

Transfer From	Transfer To	2009	2010
General Fund	Fiscal Stabilization Fund	$ -	$ 7
Title I 08/09 Fund	Other Governmental Funds	-	12,512
Other Governmental Funds	Title I 08/09 Fund	1,471	-
Other Governmental Funds	General Fund	-	1,480
Totals		$ 1,471	$ 13,999

The School Corporation typically uses transfers for cash flow purposes as provided by various statutory provisions.

IV. Other Information

Risk Management

The School Corporation is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; job related illnesses or injuries to employees, medical benefits to employees, retirees, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	Textbook Rental	Title I 07/08	Title V	Title II	Federal Planning	Special Education Part B - ARRA	Totals
Receipts:							
Local sources	$ 2,042	$ -	$ -	$ -	$ -	$ -	$ 2,042
State sources	56,322	-	-	-	-	-	56,322
Federal sources	-	16,500	-	26,416	-	53,558	96,474
Total receipts	58,364	16,500	-	26,416	-	53,558	154,838
Disbursements:							
Current:							
Instruction	57,624	25,868	-	28,064	-	48,989	160,545
Support services	-	-	-	-	-	4,569	4,569
Total disbursements	57,624	25,868	-	28,064	-	53,558	165,114
Excess (deficiency) of receipts over disbursements	740	(9,368)	-	(1,648)	-	-	(10,276)
Other financing sources (uses)							
Transfers out	-	(1,471)	-	-	-	-	(1,471)
Total other financing sources (uses)	-	(1,471)	-	-	-	-	(1,471)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	740	(10,839)	-	(1,648)	-	-	(11,747)
Cash and investments - beginning	-	10,839	914	-	566	-	12,319
Cash and investments - ending	$ 740	$ -	$ 914	$ (1,648)	$ 566	$ -	$ 572
Cash and Investment Assets - Ending							
Cash and investments	$ 740	$ -	$ 914	$ (1,648)	$ 566	$ -	$ 572
Cash and Investment Fund Balance - Ending							
Unrestricted	$ 740	$ -	$ 914	$ (1,648)	$ 566	$ -	$ 572

EAST CHICAGO URBAN ENTERPRISE ACADEMY
COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	Textbook Rental	Title I 09/10	Title V	Title II	Federal Planning	Special Education, Part B	Title I - ARRA	Special Education, Part B - ARRA	Totals
Receipts:									
Local sources	$ 85	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 85
State sources	51,529	-	-	-	-	-	-	-	51,529
Federal sources	-	242,083	-	57,703	-	53,558	121,266	5,648	480,258
Total receipts	51,614	242,083	-	57,703	-	53,558	121,266	5,648	531,872
Disbursements:									
Current:									
Instruction	42,352	194,005	-	40,281	-	87,133	76,050	7,424	447,245
Support services	-	7,575	-	6,880	-	4,569	16,147	6,431	41,602
Noninstructional services	-	-	-	-	-	-	416	-	416
Total disbursements	42,352	201,580	-	47,161	-	91,702	92,613	13,855	489,263
Excess (deficiency) of receipts over disbursements	9,262	40,503	-	10,542	-	(38,144)	28,653	(8,207)	42,609
Other financing sources (uses):									
Transfers in	-	12,512	-	-	-	-	-	-	12,512
Transfers out	-	-	(914)	-	(566)	-	-	-	(1,480)
Total other financing sources (uses)	-	12,512	(914)	-	(566)	-	-	-	11,032
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,262	53,015	(914)	10,542	(566)	(38,144)	28,653	(8,207)	53,641
Cash and investments - beginning	740	-	914	(1,648)	566	-	-	-	572
Cash and investments - ending	$ 10,002	$ 53,015	$ -	$ 8,894	$ -	$ (38,144)	$ 28,653	$ (8,207)	$ 54,213
Cash and Investment Assets - Ending									
Cash and investments	$ 10,002	$ 53,015	$ -	$ 8,894	$ -	$ (38,144)	$ 28,653	$ (8,207)	$ 54,213
Cash and Investment Fund Balance - Ending									
Unrestricted	$ 10,002	$ 53,015	$ -	$ 8,894	$ -	$ (38,144)	$ 28,653	$ (8,207)	$ 54,213

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
June 30, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received

Primary Government	Ending Balance
Governmental activities:	
Capital assets, not being depreciated	
Improvements other than buildings	$ 2,521,945
Machinery and equipment	132,049
Furniture and Fixtures	287,803
Total governmental activities, capital assets not being depreciated	$ 2,941,797

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
June 30, 2010

The School Corporation has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities		
Notes and loans payable:		
Indiana Common School Fund Loan	$ 1,345,478	$
Peoples Bank Leasehold Improvement Loan	1,389,951	125,703
East Chicago Urban Enterprise Association Line of Credit	1,299,171	135,201
Total governmental activities debt	$ 4,034,600	$ 260,904

EAST CHICAGO URBAN ENTERPRISE ACADEMY
AUDIT RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATIONS

The following items were requested for audit, but were not provided:

1. Grant files for the two major federal programs did not contain all financial reports required to be prepared as well as supporting documents to verify the accuracy of these reports. The Title I grant files were missing the final report for the 2008-2009 grant year and the third quarter report for the 2009-2010 grant year, along with the supporting documents. The ARRA grant files were missing the report that was required to be filed in May 2010, along with the supporting documents. Also, adjustments made to the cash activity of the two major programs were not explained.

2. Grant files for Title V Education Technology (Fund 4200) and explanation of the transfer from Fund 4200 to the General Fund.

3. Grant files for Charter School Grant (Federal Planning Fund 6890) and explanation of the transfer Fund 6890 to the General Fund.

4. Schedule of Federal Financial Assistance for the school years 2008-2009 and 2009-2010.

5. Other documents that we requested to be completed to be in compliance with generally accepted auditing standards.

6. School Board approval and supporting documents for all transfers between funds.

7. School Board approval and supporting documents for temporary loans between funds and their repayment.

The following deficiencies were found regarding receipt and disbursement activities:

1. The fund and account number indicating to which fund the receipt should be posted was not always designated on the receipt.

2. Receipts were not always issued for collections of money.

3. Principal and interest payments on a loan were found incorrectly posted to the ledger.

4. There were several instances of "negative" disbursements reported in three funds.

5. A $258,098 transaction for a temporary loan was not properly recorded in the ledger.

6. The funds listed on some claims were not consistent with the funds from which the claims were posted in the ledger as paid.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
AUDIT RESULTS AND COMMENTS
(Continued)

Due to these deficiencies, we could not verify the validity or accuracy of some of the financial information presented for audit.

Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Officials failed to provide a Schedule of Federal Financial Assistance for the school years 2008-2009 and 2009-2010. Officials did not have controls established to ensure compliance with reporting requirements.

The presented Schedule of Expenditures of Federal Awards was prepared with the approval of the School Corporation Officials based upon the records. The Schedule includes expenditures for the school years 2008-2009 and 2009-2010 of $330,367 and $707,394, respectively.

The Charter School Officials did not complete the following federal questionnaires

1. Title I questionnaire

2. Other documents that we requested to be completed to be in compliance with generally accepted auditing standards.

OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, Subpart C states in part §___.300:

"Auditee Responsibilities. The auditee shall:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310 . . .

EAST CHICAGO URBAN ENTERPRISE ACADEMY
AUDIT RESULTS AND COMMENTS
(Continued)

§___.310 Financial statements . . .

(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements . ."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

BIANNUAL FINANCIAL REPORT TO A STATE AGENCY

A memorandum dated June 18, 2010, was sent from the Indiana Department of Education to all School Corporations concerning the Biannual Financial Report for the period January 1, 2010 to June 30, 2010. "The Biannual Financial Report is the basis for information requested by local, state, and federal educators and others for use in planning the management of school finances. Please be reminded that the Biannual Financial Report is due in our office on or before August 2, 2010." The report was filed on December 8, 2010, 128 days after the due date.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRANSACTION RECORDING

Principal and interest payments on a loan from People's Bank were incorrectly posted to the ledger. The recorded principal payments were overstated by $1,894.

A transaction for a temporary loan was not properly recorded in the ledger. The temporary loan was recorded as $180,443, when $438,541 was actually received and disbursed, a difference of $258,098.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EAST CHICAGO URBAN ENTERPRISE ACADEMY
AUDIT RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS - NEGATIVE DISBURSEMENTS

The following deficiencies relating to the recordkeeping and controls over recording for the financial activities were noted:

There were several instances of "negative" disbursements reported in three funds

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

OVERDRAWN CASH BALANCES

The cash balance of the Title II Fund (6840) was overdrawn $1,648 at June 30, 2009. The cash balances of the Special Education, Part B Fund (7010) and Special Education, Part B - ARRA Fund (7953) were overdrawn $38,144 and $8,207, respectively, at June 30, 2010. These three federal grants were not reimbursement grants.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

TRANSFERS BETWEEN FUNDS

The East Chicago Urban Enterprise Academy School Board did not approve the transfers between funds. There were transfers between funds of $1,471 during 2008-2009 and $13,999 during 2009-2010.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EAST CHICAGO URBAN ENTERPRISE ACADEMY
AUDIT RESULTS AND COMMENTS
(Continued)

Examples of school business decisions and transactions which should be recorded in the minutes are:

18. Record of Loans between funds. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

OFFICIAL BONDS

The following official bonds were not filed in the Office of the County Recorder:

Treasurer for the period September 1, 2008 to September 1, 2009

Employee Dishonesty Coverage for the period July 1, 2008 to July 1, 2009

Employee Dishonesty Coverage for the period July 1, 2009 to July 1, 2010, and for the period July 1, 2010 to July 1, 2011, were not presented for audit.

A similar comment appeared in the prior report.

The State Board of Accounts is of the audit position bonds should be filed and recorded in the office of the county recorder and a new bond shall be issued and filed each year. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

AVERAGE DAILY MEMBERSHIP (ADM) - INCORRECT REPORTING TO THE STATE

The information presented for audit indicates enrollment figures reported to the Indiana Department of Education for Average Daily Membership (ADM) for State Support, were incorrect for the school year ending June 30, 2009.

The enrollment count date for 2008-2009 was September 26, 2008. The difference between the count reported on the ADM and the verified figures is shown below:

School Year	Grade	Count as Reported to the Indiana Department of Education	Actual Enrollment Figures	Difference
2008-2009	1 Through 12	335	336	(1)

The detailed class lists were not signed by the principal for either school year.

A similar comment appeared in the prior report.

School Officials should contact the Indiana Department of Education, Division of School Finance, to determine possible steps to be taken to correct any overpayment/underpayment applicable to the School Corporation because of incorrect reporting. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 8)

EAST CHICAGO URBAN ENTERPRISE ACADEMY
AUDIT RESULTS AND COMMENTS
(Continued)

The building level official (Principal, Assistant Principal, etc.) responsible for reporting ADM to the School Corporation Central Office, should provide a written certification of ADM to properly document responsibility. The certification should at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed. (The School Administrator and Uniform Compliance Guidelines, Volume 163, Page 5, September 2003)

RECEIPTS

1. Receipts were not always issued for collections of money. Numerous amounts posted to the ledgers were for collections not identified by a receipt number.

2. Receipts were not always issued in chronological order.

3. The receipt books used at the local school building were not presented for audit which includes receipts issued for textbook rental.

4. Receipts are issued by the financial management company, whose offices are located in Chicago, or they can be issued at the local school building. The financial management company generally issues the receipts for electronic transfers of funds based upon notification from the bank that the funds have been deposited. The following deficiencies were found on the receipts issued at the corporate location in Chicago:

   a. The "received from" area usually indicated what the receipt was for, not from whom the money was received.

   b. The fund and account number to indicate to which fund the receipt should be posted was missing.

   c. The composition of the collections was not indicated (i.e. cash, check, or money order).

   d. Receipts written prior to May 14, 2009, were not presented for audit.

   e. Some of the receipts were completed in pencil.

A similar comment appeared in the prior report.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

EAST CHICAGO URBAN ENTERPRISE ACADEMY
AUDIT RESULTS AND COMMENTS
(Continued)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

CLAIMS

The following deficiencies were noted concerning claims:

1. Claims were paid and checks issued prior to School Board approval.

2. Some claims were not presented for audit.

3. The funds listed on three claims were not consistent with the funds from which the claims were posted as paid.

4. Some claims were not paid timely.

5. One claim did not have all the required documentation attached.

6. One claim was improperly paid from the Student Activity Fund.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

(1) there is a fully itemized invoice or bill for the claim;

(2) the invoice or bill is approved by the officer or person receiving the goods and services;

(3) the invoice or bill is filed with the governmental entity's fiscal officer;

(4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

EAST CHICAGO URBAN ENTERPRISE ACADEMY
AUDIT RESULTS AND COMMENTS
(Continued)

EMPLOYEE SERVICE RECORDS

The School Corporation has a sick leave policy that eligible employees earn one-half day of sick leave for each full calendar month worked up to six full days of sick leave per year. However, per the Employee's Service Record (General Payroll Form 99A), all six sick days are accrued at the beginning of the school year.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

CERTIFIED REPORT OF NAMES, ADDRESSES, DUTIES AND COMPENSATION OF PUBLIC EMPLOYEES, GENERAL FORM 100R

The Certified Report of Names, Addresses, Duties and Compensation of Public Employees, General Form 100R, was not presented for audit.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

IC 5-11-13-1 concerning the personnel report, states in part:

> "Every . . . school official shall during the month of January of each year prepare, make and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective . . . institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

Financial Audit Reports for Each Charter School

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SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE EAST CHICAGO URBAN ENTERPRISE ACADEMY, LAKE COUNTY, INDIANA

Compliance

We have audited the compliance of the East Chicago Urban Enterprise Academy (School Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended June 30, 2009 and 2010. The School Corporation's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School Corporation's management. Our responsibility is to express an opinion on the School Corporation's compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School Corporation's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the School Corporation with Title I Grants to Local Educational Agencies and ARRA State Fiscal Stabilization Fund (SFSF) – Education State Grants regarding Reporting and Special Tests and Provisions, nor were we able to satisfy ourselves as to the School Corporation's compliance with those requirements by other auditing procedures as described in items Finding 2010-4 and Finding 2010-5.

As described in item Finding 2010-3 in the accompanying Schedule of Findings and Questioned Costs, the School Corporation did not comply with requirements regarding Cash Management that are applicable to its Title I Grants to Local Educational Agencies. Compliance with such requirements is necessary, in our opinion, for the School Corporation to comply with requirements applicable to that program.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the School Corporation's compliance with the requirements of Title I Grants to Local Educational Agencies and ARRA State Fiscal Stabilization Fund (SFSF) – Education State Grants regarding Reporting and Special Tests and Provisions and,

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

except for the noncompliance described in the preceding paragraph, the School Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the years ended June 30, 2009 and 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item Finding 2010-2.

Internal Control Over Compliance

The management of the School Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a School Corporation's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items Finding 2010-3 and Finding 2010-4 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item Finding 2010-3 to be a material weakness.

The School Corporation's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the School Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the School Corporation's management, School Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

February 16, 2011

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended June 30, 2009 and 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 06-30-09	Total Federal Awards Expended 06-30-10
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	08-9555	$ 21,868	$ -
		09-9555	163,214	57,898
		10-9555	-	201,580
Total for program			185,082	259,478
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	10-9555	-	92,613
Total for cluster			185,082	352,091
Special Education Cluster				
Special Education - Grants to States	84.027	14209-210-PN01	53,984	-
		14210-210-PN01	-	38,144
Total for program			53,984	38,144
ARRA - Special Education - Grants to States, Recovery Act	84.391	33310-210-SN01	-	13,855
Total for cluster			53,984	51,999
State Fiscal Stabilization Cluster				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	10-9555	63,237	254,663
Charter Schools	84.282		-	566
State Grants for Innovative Programs	84.298		-	914
Improving Teacher Quality State Grants	84.367	09-9555	28,064	-
		10-9555	-	47,161
Total for program			28,064	47,161
Total federal awards expended			$ 330,367	$ 707,394

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the East Chicago Urban Enterprise Academy (School Corporation) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of $500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of school corporations shall be conducted biennially. Such audits shall include both years within the biennial period.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Qualified

Internal control over financial reporting:
Material weaknesses identified? yes
Significant deficiencies identified that are not considered to be material weaknesses? no

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:
Material weaknesses identified? yes
Significant deficiencies identified that are not considered to be material weaknesses? yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

Name of Federal Program or Cluster
Title I, Part A Cluster
State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2010-1, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Officials failed to provide a Schedule of Federal Financial Assistance for the school years 2008-2009 and 2009-2010. Officials did not have controls established to ensure compliance with reporting requirements.

The presented Schedule of Expenditures of Federal Awards was prepared with the approval of the Charter School Officials based upon the records. The Schedule includes expenditures for the school years 2008-2009 and 2009-2010 of $330,367 and $707,394, respectively.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, Subpart C states in part §___.300:

"Auditee Responsibilities. The auditee shall:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

(c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.

(d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310 . . .

§___.310 Financial statements . . .

(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements "

We recommended that School Corporation Officials implement procedures to adequately identify and accurately report all Federal award programs.

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-2, ARRA FISCAL STABILIZATION ACTIVITIES ALLOWED OR UNALLOWED

Federal Agency: U.S. Department of Education
Federal Program: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
CFDA Number: 84.394
Pass-through Entity: Indiana Department of Education
Federal Award Number: 10-9555

The School Corporation used State Fiscal Stabilization funds in August 2009 to pay $11,700 for painting services for the school which improved the facility. We consider the $11,700 to be questioned costs.

EDGAR § 80.20 Standards for financial management systems states, in part (b): ". . . program regulations, and the terms of grant and subgrant agreements will be followed in determining the reasonableness, allowability, and allocability of costs."

Failure to follow the guidelines for expenditures indicates noncompliance with requirements for activities allowed or unallowed established by federal agencies.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

EDGAR § 80.22 states in part:

"Allowable costs . . .

(b) For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a State, local, or Indian tribal government, the Secretary applies the cost principles in OMB Circular A–87, as amended on June 9, 1987."

OMB Circular A-87 Attachment B states in part:

"15. Equipment and other capital expenditures.

a. For the purposes of this subsection 15, the following definitions apply:

(1) 'Capital Expenditures' means expenditures for the acquisition cost of capital assets (equipment, buildings, land), or expenditures to make improvements to capital assets that materially increase their value or useful life. Acquisition cost means the cost of the asset including the cost to put it in place. Acquisition cost for equipment, for example, means the net invoice price of the equipment, including the cost of any modifications, attachments, accessories, or auxiliary apparatus necessary to make it usable for the purpose for which it is acquired. Ancillary charges, such as taxes, duty, protective in transit insurance, freight, and installation may be included in, or excluded from the acquisition cost in accordance with the governmental unit's regular accounting practices."

"b. The following rules of allowability shall apply to equipment and other capital expenditures:

(1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency. . . .

(3) Capital expenditures for improvements to land, buildings, or equipment which materially increase their value or useful life are unallowable as a direct cost except with the prior approval of the awarding agency.

(4) When approved as a direct charge pursuant to Attachment B, section 15.b (1), (2), and (3) above, capital expenditures will be charged in the period in which the expenditure is incurred, or as otherwise determined appropriate and negotiated with the awarding agency. In addition, Federal awarding agencies are authorized at their option to waive or delegate the prior approval requirement."

The American Recovery and Reinvestment Act of 2009, Sec. 14003 states in part: "USES OF FUNDS BY LOCAL EDUCATION AGENCIES . . . (b) PROHIBITION. - A local educational agency may not use funds received under this title for - (1) payment of maintenance costs; . . ."

We recommended the School Corporation establish procedures to review federal compliance requirements to ensure expenditures are compliant with the grant agreement.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2010-3. TITLE I CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Federal Programs: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Award Numbers: 09-9555, 10-9555
Pass-Through Entity: Indiana Department of Education

The East Chicago Urban Enterprise Academy receives Title I Grants to Local Educational Agencies federal grant money of approximately $230,000 each year. As part of the application for Title I funds, school corporations are required to assess needs and develop a drawdown request of Title I funds to cover cash needs for the entire grant period. The drawdown amounts are listed by month, and must total the grant award.

The Indiana Department of Education requires School Corporations to prepare quarterly reports. The quarterly reports show grant receipts, disbursements, and cash balances and allows the School Corporation to modify subsequent drawdowns. For each of the two Title I grant programs, no attempt was made by the School Corporation to reduce a subsequent drawdown.

Controls established by the Charter School were not sufficient for Officials to determine the necessary cash balances required to operate. Controls were not in place to monitor the cash balance carried from one month to the next and amend the cash drawdown request form which we consider to be a material weakness in internal controls over cash management.

Because controls were not effective, the Charter School had excessive cash balances in eight of fifteen months (53%) spanning the period of grant award number 09-9555. Excess cash balances ranged from $29,257.95 to $68,939.75. The Charter School had excessive cash balances in five of fifteen months (33%) spanning the period of grant award number 10-9555. Excess cash balances ranged from $34,360.83 to $53,205.59. Excess balances were based on 1.5 times the average monthly expenditures for each grant award. Cash balances for each month should be zero or as close to zero as possible to receive the next month's distribution.

Governmental units should have internal controls in effect which provide reasonable assurance the cash balance of federal funds is being monitored and is in compliance with laws and regulations.

Failure to minimize the cash on hand balances indicates noncompliance with cash management requirements established by federal agencies. Failure to implement adequate and effective internal control procedures could result in the School Corporation to be deemed ineligible to receive Federal awards in the future.

EDGAR § 80.20 states in part (b):

"The financial management systems of other grantees and subgrantees must meet the following standards: . . . (7) Cash management. Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Effective July 1, 2010, the Indiana Department of Education modified the grant process for their subrecipients. School Corporations will no longer be requesting grant advances; instead, School Corporations will be required to spend the funds necessitating reimbursements on funds already spent.

We recommended School Corporation Officials follow the new guidelines established by the Indiana Department of Education, requiring Title I funds to be reimbursed after the funds have been properly spent. Furthermore, School Corporation Officials should establish and implement effective internal control procedures over the monitoring of cash balances of federal funds on hand.

FINDING 2010-4, REPORTING

Federal Agency: U.S. Department of Education
Federal Programs: Title I Grants to Local Educational Agencies, ARRA - State Fiscal Stabilization Fund (SFSF)
CFDA Numbers: 84.010, 84.394
Award Numbers: 09-9555, 10-9555; 10-9555
Pass-Through Entity: Indiana Department of Education

As a part of the reporting requirements, the Indiana Department of Education requires School Corporations to prepare quarterly reports. The quarterly reports report grant receipts, disbursements, and cash balances. The School Corporation is also to submit a final report at the end of the grant period, which would be September 30 of the respective year

These quarterly reports and final reports are designed to assist officials with monitoring their cash draws and disbursements of funds. At all times, these reports should match what is posted in the ledger.

The final report submitted for Title I expenditures for the grant period of July 1, 2009 to September 30, 2010, did not agree to what was posted to the ledger. In total, the report showed $107 more than what was posted to the ledger during that same time period. The individual categories on the final report did not agree to the ledger. The following table shows the differences between the final report and the ledger:

	Certified Salary	Noncertified Salary	Benefits	Professional Service	General Supplies	Property	Total
Final Report	$ 35,000.00	$ 159,115.00	$ 46,000.00	$ 5,022.00	$ 8,173.62	$ -	$ 253,310.62
Ledger	27,870.00	166,245.00	46,000.00	5,005.00	7,953.62	130.00	253,203.62
Difference	7,130.00	(7,130.00)	-	17.00	220.00	(130.00)	107.00

Furthermore, the following Title I reports were not presented for audit:

The final report for the 2008-2009 grant year

The third quarter report for the 2009-2010 grant year

For the ARRA – State Fiscal Stabilization Fund (SFSF) grant, monthly reports of expenditures are required to be filed with the Indiana Department of Education. The monthly report that was required to be filed for the May, 2010, was not presented for audit.

Failure to submit these reports timely and accurately indicates noncompliance with reporting requirements established by federal agencies.

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The controls established by the Charter School were not effective for officials to prepare, review, and maintain copies of all the required federal reports with supporting documents which is considered to be a significant deficiency in internal controls over reporting.

EDGAR § 80.20 states in part (b):

"The financial management systems of other grantees and subgrantees must meet the following standards:

(1) Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.

(2) Accounting records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

(3) Internal control. Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets. Grantees and subgrantees must adequately safeguard all such property and must assure that it is used solely for authorized purposes."

Failure to adhere to reporting requirements may cause the School Corporation to be determined to be ineligible for future federal funding.

We recommended that the School Corporation Officials implement controls and procedures to ensure that all required monitoring reports are prepared accurately. Controls and procedures should be established to ensure that these reports are reviewed for accuracy and timeliness of submission. Copies of the reports and financial information supporting the disclosures made should be retained for audit.

FINDING 2010-5, TITLE I SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Education
Federal Programs: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Award Number: 09-9555, 10-9555
Pass-Through Entity: Indiana Department of Education

When a school receives Title I federal grant money, certain special tests and provisions must be satisfied. One of these special tests and provisions is that the teachers employed to teach core academic subjects such as math and reading be highly qualified. Documentation supporting teacher qualifications was not presented for audit.

EDGAR § 80.42 states in part (e):

"Access to records — (1) Records of grantees and subgrantees. The awarding agency and the Comptroller General of the United States, or any of their authorized representatives, shall have the right of access to any pertinent books, documents, papers, or other records of grantees and subgrantees which are pertinent to the grant, in order to make audits, examinations, excerpts, and transcripts . . ."

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Failure to adhere to special tests and provisions requirements may cause the School Corporation to be determined to be ineligible for future federal funding.

We recommended that the School Corporation Officials implement procedures to ensure that documentation to support the qualifications of teachers and support staff be retained and provided for audit as required by federal guidelines

EAST CHICAGO URBAN ENTERPRISE ACADEMY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable

Financial Audit Reports for Each Charter School

East Chicago Urban Enterprise Academy
1402 East Chicago Avenue, East Chicago Indiana 46312 PH (219) 392-36580 Fax (219) 392-3652

Indiana State Board of Accounts
Room E418
302 West Washington Street
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February 28, 2011

To Whom It May Concern:

Below please find the Corrective Action Plan to the audit findings as of 6-30-10:

CORRECTIVE ACTION PLAN

FINDING 2010-1, SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Based on these new Federal Audit Requirements, officials will be sure to prepare the Schedule of Federal Financial Assistance and Schedule of Expenditures of Federal Awards at the close of each school year so it is available for the Federal Audit upon request

FINDING 2010-2, ARRA FISCAL STABILIZATION ACTIVITIES ALLOWED OR UNALLOWED

As stated in the audit comment, Indiana Department of Education did not provide specific requirements regarding what Fiscal Stabilization Stimulus funds should be spent on When we inquired, were told it could be spent on anything that would normally occur in the General Fund, with no additional guidance or indication to review other instructions from U.S. Department of Education. Since the funds were received in lieu of our normal tuition support payment, there was no formal "grant agreement" provided to the school.

The school is waiting on for further instructions from State and Federal governments on how to handle this situation. If repayment of the $11,700 of questioned funds is allowed or required, the repayment would need to be made from general local funds.

For all future funding of this nature, we will request written documentation of expenditure restrictions and/or a formal grant agreement from the Indiana Department of Education.

FINDING 2010-3, TITLE I CASH MANAGEMENT

While Title I activity was monitored and tracked monthly, the original drawdown requests submitted by the school director were not reduced during the reporting cycle.

Effective immediately, all cash fund ledgers will be printed as supporting documents and reconciled to all required monthly, quarterly and annual Federal reporting. Individual files are maintained for all Federal funding sources containing approved programs and any required reporting and supporting documents.

Effective July 1, 2010, all Federal program funding is requested on a reimbursement basis only therefore, there should be no excess cash balances for these funds in the future

FINDING 2010-4, REPORTING

A subsequent correction was made in the general ledger for the expenditure posted to the incorrect fund. The Title I Final Annual Expenditure Report as filed was accurate.

All the reports not presented for audit were filed as required with the Indiana Department of Education. However, after reviewing the returned files from the auditor, it was determined that the Title I Final Expenditure report for 2008-2009 was missing from the file, the report and supporting data were reprinted to maintain complete and accurate files. It was also determined that the actual Title I third Quarter report for 2009-2010 was not printed and attached to the support documents that were included in the original file provided. The report has been reprinted from the website and attached to the supporting documents that were originally in the file. We were unable to locate the May 2010 ARRA report as filed and are requesting a copy of the report as filed with Indiana Department of Education

Internal control procedures regarding fund reporting and file maintenance have been modified to monitor that all reporting documents have been printed and supporting document general ledger categories are accurate. Also, if there are any actual staff classifications from certified or un-certified that may be different for original budgeted classification for the Title I program an amendment will be filed with the Indiana Department of Education.

FINDING 2010-5, TITLE I SPECIAL TESTS AND PROVISIONS

The school did comply with all Highly Qualified Teacher federal guidelines and compliance requirements. Unfortunately when responding to the auditor inquiry, the school only provided the auditor with the information and parent letter compliance related to those teachers that were considered non highly qualified working on emergency permits, instead of the documentation on the highly qualified teachers.

For all future audit requests the school will provide both highly qualified and non highly qualified teacher information and compliance documentation.

Vito C. Bianco

February 28, 2011

EAST CHICAGO URBAN ENTERPRISE ACADEMY
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2011, with Vito Bianco, Treasurer, Charlotte Jackson, Director of the School; and Kathleen Kansfield, Accounting Controller. The official response has been made a part of this report and may be found on pages 45 through 47

East Chicago Urban Enterprise Academy
1402 East Chicago Avenue, East Chicago Indiana 46312 PH (219) 392-36580 Fax (219) 392-3652

Indiana State Board of Accounts
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Indianapolis, IN 46204-2765

February 28, 2011

East Chicago Urban Enterprise Academy
Management Response to Examination Results and Comments

Financial Report Opinion Modifications

School officials will be sure to have the required supplemental schedules and documentation prepared each year during the financial closing process so they can be made available timely during the audit process.

The management company has had discussion with State Auditors, expressing concerns over the timing and volume of audit data required in a very short period. The discussion led to several suggestions to ensure much of the data and supplemental schedules can be prepared in advance of the audit.

Federal and State Agencies – Compliance Requirements

Based on these new Federal Audit Requirements, officials will be sure to prepare the Schedule of Federal Financial Assistance and Schedule of Expenditures of Federal Awards at the close of each school year so it is available for the Federal Audit upon request.

Biannual Financial Report to a State Agency

School officials will be sure to file accurate and timely reports as required by federal and state agencies.

Transaction Reporting

School officials will be sure to closely review loan activity for accuracy to avoid any such transposition or missed transaction errors as identified in the audit comment. While such errors were identified and correctly reported on the State Form 9 financial report, corrections were unable to be made to the closed general ledger system.

Conditions of Records-Negative Disbursements

The school officials do maintain internal controls to reasonably assure accuracy and reliability of financial information. However, a disbursement may be required to be voided outside of the financial reporting period creating a negative disbursement due to timing differences. Such instances are considered to be reasonable and normal in course of the schools operations.

As a result of incorrect information and communication with Indiana Department of Education regarding proper presentation of SPED B pass through verses SPED B ARRA funding on the June 30, 2009 Form 9 financial report, the school officials were instructed to reverse the reporting, in detail from the incorrect fund code and report in detail under the correct fund code by the Indiana Department of Education This resulted in multiple negative disbursements within the fund

Overdrawn Cash Balances

The school officials maintain internal controls which do monitor fund cash balances.
The specific overdrawn cash balances identified in the audit are addressed below.
The 6-30-09 overdrawn Title II fund (6840) was funded on 7-3-09.
The ARRA Special Education Fund (7953) funding was adjusted during the year to avoid excess cash balances, the funding for June expenses was requested and funded on 7-28-10.
The Special Education Fund (7010) was funded on a reimbursement request dated 8/31/10.

Transfers Between Funds

The school board will be presented for approval all proposed transfers between funds based on school business decisions and transactions.

Official Bonds

The official bond and employee dishonesty insurance coverage for the fiscal year 2008/2009 were effective for the audit period

The employee dishonesty insurance coverage is combined in part of the overall school insurance package and not a separate policy document.

The management company has ensured that all treasurer bonds have been filed with the Office of County Recorder for fiscal year 2009/2010 and current fiscal year 2010/2011.

Average Daily Membership (ADM) – Incorrect Reporting to the State

The school and management company will ensure that the actual enrollment and count reported on Form Number 30A are verified and accurate and the school principal will sign the detailed class lists.

Receipts

The management company has discussed the deficiencies in the receipts generated in their offices with the State Auditors. The management company has changed procedures to ensure the receipts and fully completed and recorded in the ledgers properly.

The receipt books from the school building and the management company receipt book prior to May 14, 2009 (used in prior State Audit) were unfortunately not identified as when gathering the audit data prior to fieldwork or requested by the State Auditor as missing items. If they had they would have been provided for audit review.

Claims

The management company has reviewed the listing of deficiencies with the State Auditors. The management company is developing new claims approval procedures based on additional recommendations by the State Auditor.

Based on prior State Auditor recommendations, beginning in early 2009 the school board reviews and approves all open (unpaid) claims as of the date of the monthly board reports issuance. The school board has approved the fiscal officer to have jurisdiction over allowance of payment of the claim.

The details on specific claims that were not presented, did not contain fund corrections on vouchers or that had missing documentation were not provided to the management company to be able to review and respond to these items.

Employee Service Record

The school will correct the employee handbook for the change in the sick leave policy to full accrual at beginning of the school year.

Certified Report of Names, Addresses, Duties and Compensation of Public Employees, General Form 100R

The management company will ensure that this report is available for audit and filed with the State Board of Accounts as required annually.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

DR. ROBERT H. FAULKNER ACADEMY, INC.

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Dr. Robert H. Faulkner Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Dr. Robert H. Faulkner Academy, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Dr. Robert H. Faulkner Academy, Inc. as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
December 26, 2014

DR. ROBERT H. FAULKNER ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 394,630	390,148
Grants receivable	20,926	10,906
Prepaid expense	13,332	786
Total current assets	428,888	401,840
Property and equipment:		
Furniture and equipment	364,857	330,249
Leasehold improvements	24,341	3,750
Textbooks	114,473	114,473
Less: accumulated depreciation	(440,409)	(394,625)
Property and equipment, net	63,262	53,847
	$ 492,150	455,687
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 102,348	101,011
Total current liabilities	102,348	101,011
Unrestricted net assets	389,802	354,676
	$ 492,150	455,687

DR. ROBERT H. FAULKNER ACADEMY, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 1,257,580	1,232,350
Grant revenue	182,966	375,852
Student fees	21,199	24,367
Contributions	25,372	4,990
Total revenue and support	1,487,117	1,637,559
Expenses		
Program services	1,084,207	1,194,034
Management and General	367,784	368,981
Total expenses	1,451,991	1,563,015
Change in net assets before non-operating revenue	35,126	74,544
Non-Operating Revenue		
Gain due to changes in legislative funding	-	98,108
Change in net assets	35,126	172,652
Net assets, beginning of year	354,676	182,024
Net assets, end of year	$ 389,802	354,676

DR. ROBERT H. FAULKNER ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 35,126	172,652
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	-	(98,108)
Depreciation	45,784	67,884
Change in:		
Grants receivable	(10,020)	(7,547)
Prepaid expense	(12,546)	(92)
Accounts payable and accrued expenses	1,337	20,142
Refundable advances	-	(200)
Net cash provided by operating activities	59,681	154,731
Investing Activities		
Purchases of property and equipment	(55,199)	(22,600)
Net cash used by investing activities	(55,199)	(22,600)
Net increase in cash	4,482	132,131
Cash, beginning of year	390,148	258,017
Cash, end of year	$ 394,630	390,148

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Dr. Robert H. Faulkner Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School has contracted The Leona Group, LLC to provide management and administrative services.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Grants Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Dr. Robert H. Faulkner Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Furniture and equipment	3 to 4 years
Textbooks	4 years
Leasehold improvements.....	5 years

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through December 26, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	$615,882
Repayment of accrued interest on Common School Fund loans.....	98,541
	714,423
Elimination of School funding	(616,315)
	$ 98,108

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(3) Leases

The School leases its school facility as well as certain items of office equipment under operating leases for terms from four to five years. Expense under operating leases for the years ended June 30, 2014 and 2013 was $105,328 and $98,922, respectively. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year Ending June 30:	
2015	$104,922
2016	102,000
2017	102,000
2018	102,000

(4) Retirement Plans

All School personnel are employees of The Leona Group, LLC, which provides management services to the School. School personnel are eligible to participate in The Leona Group, LLC Section 401(k) Plan. Under the plan, the School matches employee contributions dollar-for-dollar up to 6% of base compensation. Substantially all full-time employees are eligible to participate. Retirement plan expense was $7,115 and $6,035 for the years ended June 30, 2014 and 2013, respectively.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(5) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was $25,510 and $17,850 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

The School has contracted with The Leona Group, LLC to provide on-going consulting services with regard to school administration and management, training, and grant writing. Under the terms of the agreement, the School has agreed to pay an amount equal to 2% of revenues, as defined, for these services. Such fees for the years ended June 30, 2014 and 2013 were $25,152 and $24,103, respectively. Additionally, the School has also contracted with The Leona Group, LLC to provide employee leasing services. Under the terms of the agreement, the School has agreed to pay an amount equal to 4% of revenues, as defined, for this service. Such fees for the years ended June 30, 2014 and 2013 were $50,303 and $48,207, respectively.

(6) Risks and Uncertainties

The School provides educational instruction services to families residing in Grant and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the receivable balance was due from the State of Indiana. Cash deposits are maintained at STAR Financial Bank and are insured up to the FDIC insurance limit.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(7) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and/or service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 521,880	150,896
Employee benefits	157,161	46,183
Professional services	50,871	94,326
Staff development and recruitment	4,272	55
Equipment	21,933	-
Authorizer oversight fee	-	25,510
Administrative service fee	-	25,152
Food costs	76,348	-
Repairs and maintenance	58,449	-
Classroom, kitchen and office supplies	23,929	5,133
Occupancy	119,730	-
Depreciation	45,784	-
Insurance	-	14,940
Other	3,850	5,589
	$ 1,084,207	367,784

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(7) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 601,829	143,281
Employee benefits	182,457	44,450
Professional services	74,659	84,326
Staff development and recruitment	3,106	150
Equipment	10,426	-
Authorizer oversight fee	-	17,850
Administrative service fee	-	24,103
Food costs	75,470	-
Repairs and maintenance	24,198	-
Classroom, kitchen and office supplies	38,042	10,237
Occupancy	114,668	-
Depreciation	67,884	-
Interest	-	24,635
Insurance	-	13,857
Other	1,295	6,092
	$ 1,194,034	368,981

DR. ROBERT H. FAULKNER ACADEMY, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the school as listed below:

Supplemental Audit Report of Dr. Robert H. Faulkner Academy, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Financial Audit Reports for Each Charter School

GARY LIGHTHOUSE CHARTER SCHOOL

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

GARY LIGHTHOUSE CHARTER SCHOOL

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Gary Lighthouse Charter School** (an operating component of Lighthouse Academies of Northwest Indiana, Inc., a not-for-profit corporation), which comprise of statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 entity'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 entity'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.

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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 Gary Lighthouse Charter School as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015 on our consideration of Gary Lighthouse Charter 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 Gary Lighthouse Charter School's internal control over financial reporting and compliance.

Indianapolis, IN
February 12, 2015

GARY LIGHTHOUSE CHARTER SCHOOL

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 1,715,557	1,577,953
Accounts receivable:		
Grants	779,348	89,021
Other	66,123	-
Prepaid expenses	65,975	74,752
Total current assets	2,627,003	1,741,726
Property and equipment:		
Land	826,400	19,618
Buildings and improvements	10,552,782	362,090
Furniture and equipment	835,369	316,680
Less: accumulated depreciation	(755,457)	(319,069)
Property and equipment, net	11,459,094	379,319
	$ 14,086,097	2,121,045
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,317,028	435,249
Current portion of capital lease obligations	36,993	-
Refundable advances	53,707	46,786
Total current liabilities	1,407,728	482,035
Capital lease obligations	10,663,007	-
Total liabilities	12,070,735	482,035
Unrestricted net assets	2,015,362	1,639,010
	$ 14,086,097	2,121,045

GARY LIGHTHOUSE CHARTER SCHOOL

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 11,501,485	5,343,488
Grant revenue	2,994,867	1,836,907
Student fees	35,098	24,823
Fundraising income	54,465	28,255
Other	1,580	211
Total revenue and support	14,587,495	7,233,684
Expenses		
Program services	10,479,346	5,768,174
Management and general	3,944,499	1,417,938
Total expenses	14,423,845	7,186,112
Change in net assets before non-operating revenue	163,650	47,572
Non-Operating Revenue		
Gain due to changes in legislative funding	-	487,468
Change in net assets	163,650	535,040
Net assets, beginning of year	1,639,010	1,103,970
Transfer of assets from the West Gary charter school	212,702	-
Net assets, end of year	$ 2,015,362	1,639,010

GARY LIGHTHOUSE CHARTER SCHOOL

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 163,650	535,040
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	-	(487,468)
Contribution of capital assets	(345,988)	-
Depreciation	407,541	95,929
Change in:		
Accounts receivable	(756,450)	(160,884)
Prepaid expenses	121,826	(36,142)
Accounts payable and accrued expenses	881,779	(208,155)
Refundable advances	6,921	23,257
Net cash provided (used) by operating activities	479,279	(238,423)
Investing Activities		
Purchase of property and equipment	(361,952)	-
Net cash used by investing activities	(361,952)	-
Financing Activities		
Cash transferred from the West Gary school	20,277	-
Net cash provided by investing activities	20,277	-
Net increase (decrease) in cash	137,604	(238,423)
Cash and cash equivalents, beginning of year	1,577,953	1,816,376
Cash and cash equivalents, end of year	$ 1,715,557	1,577,953
Supplemental disclosures:		
Cash paid for interest expense	$ 977,251	-
Non-cash investing and financing activities:		
Land and building acquired under capital lease	$ 10,700,000	-
Transfer of non-cash assets from the West Gary charter school	192,425	-

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Gary Lighthouse Charter School (the "School") is a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The sponsor has granted a charter to the school's organizer, Lighthouse Academies of Northwest Indiana, Inc. ("LANWI"), a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. LANWI is the organizer and governing body of two charter schools located in Indiana. LANWI has entered into a service agreement with Lighthouse Academies, Inc., a not-for-profit organization incorporated in the State of Delaware to provide educational, managerial, legal, and financial services to the School.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Subsequent Events

The School evaluated subsequent events through February 12, 2015 the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $5,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building and improvements	7 to 30 years
Furniture and equipment	5 years

Taxes on Income

Lighthouse Academies of Northwest Indiana, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income, Continued

Professional accounting standards require Lighthouse Academies of Northwest Indiana, Inc. to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Lighthouse Academies of Northwest Indiana, Inc. has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$2,685,220
Repayment of accrued interest on Common School Fund loans	473,992
	3,159,212
Elimination of School funding	(2,671,744)
	$ 487,468

(3) Leases

In July 2008, the School executed a ten-year lease on one of its school buildings under an operating lease with Gary Lighthouse Facility, LLC. Gary Lighthouse Facility, LLC was indirectly owned by Lighthouse Academies, Inc., which provides management services to the School. On August 28, 2013, the land and building comprising of this facility was acquired by CFM – NW Indiana, LLC, an entity controlled by CFM, Inc. At the same time, the School sold to CFM – NW Indiana, LLC land and building that it owned for the purchase price of $1. CFM, Inc. was created by the School's management company, Lighthouse Academies, Inc., to provide facilitation and operational support of charter schools. CFM, Inc. and Lighthouse Academies, Inc. have common management personnel, but are governed by independent boards of directors.

Coincident with the purchase of these facilities by CFM – NW Indiana, LLC, the existing lease was cancelled and the School entered into a new 30-year lease agreement with CFM – NW Indiana, LLC covering these two facilities and a third facility, which is accounted for as a capital lease. Under the lease agreement, CFM – NW Indiana, LLC agreed to make improvements to the facilities at an approximate cost of $3,000,000. The lease requires the School to make rental payments equal to CFM – NW Indiana, LLC's debt service obligation on bonds that it issued to purchase the facilities. In addition, the School is responsible for utilities, maintenance, and insurance. The School has the option to purchase the facilities at any time for $1 plus the remaining balance due on the bond debt. At June 30, 2014, the cost and accumulated depreciation relating to these assets were $10,991,239 and $282,357, respectively.

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(3) Leases, Continued

Following is a schedule of future minimum lease payments under this capital lease and the present value of the net minimum lease payments as of June 30, 2014:

Year Ended June 30:	
2015	$ 1,341,090
2016	1,339,590
2017	1,339,240
2018	1,342,490
2019	1,340,740
Thereafter	33,512,030
	40,215,180
Less: amount representing interest	(29,515,180)
	$ 10,700,000

The School also leases textbooks, furniture and equipment on a regular basis. The leases are accounted for as operating leases and require monthly payments over a period of three years. Total lease expense under operating leases for the years ended June 30, 2014 and 2013 was $44,694 and $435,448, respectively. Obligations under operating leases as of June 30, 2014 totaled $2,472 due in 2015.

(4) Retirement Plan

All School personnel are employees of Lighthouse Academies, Inc., which provides management services to the School. School personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, the School matches 100% of employee contributions not to exceed 4% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the LANWI board of directors. No discretionary contributions were made in 2014 and 2013. Retirement plan expense under the plan for the years ended June 30, 2014 and 2013 was $76,828 and $49,555, respectively.

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(5) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014 and 2013, the School had refundable grant advances in excess of expenditures of $53,707 and $46,786, respectively.

(6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this agreement was $229,540 and $78,675 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

Lighthouse Academies of Northwest Indiana, Inc. ("LANWI") has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreement, LANWI has agreed to pay an amount equal to 7.5% of revenues, as defined, for such services. Payments under this agreement were $988,301 and $512,686 for the years ended June 30, 2014 and 2013, respectively. This agreement remains in effect until June 30, 2016.

(7) Asset Transfer

The School's organizer, Lighthouse Academies of Northwest Indiana, Inc. ("LANWI"), operated another charter school under the name West Gary Lighthouse Charter School. Effective June 30, 2013, LANWI opted to not renew the charter for the West Gary school and to cease operations. LANWI transferred the assets at this this location consisting of cash, furniture and equipment, and prepaid expenses to the School. The School also assumed use of the West Gary facility and negotiated a new 30-year lease (see Note 3).

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(8) Risks and Uncertainties

The School provides education services to families residing in Lake and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the accounts receivable balance was due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and are insured up to the FDIC insurance limit.

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 5,511,525	1,030,665
Employee benefits	1,206,901	225,622
Staff development and recruitment	48,275	14,509
Academic services – Lighthouse Academies	-	1,019,700
Authorizer's oversight fee	-	229,540
Food service	789,982	-
Transportation service	742,264	-
Other professional services	73,816	119,027
Property and textbook rental	126,418	-
Classroom, kitchen and office supplies	955,511	42,255
Occupancy	620,195	115,978
Depreciation	343,353	64,188
Interest	-	977,251
Other	61,106	105,764
	$ 10,479,346	3,944,499

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$2,803,942	350,838
Employee benefits	631,777	79,050
Staff development and recruitment	61,500	58,038
Academic services – Lighthouse Academies	-	524,170
Authorizer's oversight fee	-	78,675
Food service	389,588	-
Transportation service	325,741	-
Other professional services	213,098	52,867
Property and textbook rental	91,970	-
Classroom, kitchen and office supplies	389,625	24,852
Occupancy	736,271	92,125
Depreciation	85,262	10,667
Interest	-	96,519
Other	39,400	50,137
	$5,768,174	1,417,938

GARY LIGHTHOUSE CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		$ 173,342
National School Lunch Program	10.555		528,183
Total for cluster			701,525
Fresh Fruit and Vegetable Program	10.582		14,846
Total for federal grantor agency			716,371
U.S. DEPARTMENT OF EDUCATION			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	13-9595/14-9535	1,420,432
Special Education Cluster			
Special Education - Grants to States	84.027	14213-501-PN01 14214-501-PN01	116,915
Improving Teacher Quality State Grants	84.367	12-9585/13-9585	132,472
Total for federal grantor agency			1,669,819
Total federal awards expended			$ 2,386,190

GARY LIGHTHOUSE CHARTER SCHOOL

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Gary Lighthouse Charter School (the "School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Fitzgerald | Isaac LLC
Certified Public Accountants

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*

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

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 **Gary Lighthouse Charter School** (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 12, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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.

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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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, IN
February 12, 2015

Fitzgerald | Isaac LLC
Certified Public Accountants

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

The Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

Gary Lighthouse Charter School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Gary Lighthouse Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

Gary Lighthouse Charter School's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Indianapolis, IN
February 12, 2015

GARY LIGHTHOUSE CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	Yes
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	Yes
Type of auditor's report issued on compliance for major program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	Yes

GARY LIGHTHOUSE CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	Yes

II. Financial Statement Findings

SIGNIFICANT DEFICIENCY

FINDING NO. 2014-001 EMPLOYEE TIME RECORDS

Condition
The School maintains attendance records for School personnel, but was unable to provide semi-annual certifications or time-and-effect logs to support employee wages charged to federal grant programs.

Criteria
OMB Circular A-87 requires that where "employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee." Furthermore, "where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation."

GARY LIGHTHOUSE CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

II. Financial Statement Findings, Continued

Cause
The School did not have procedures in place to assure these documents were maintained after the departure of the employee responsible for the reports.

Effect
The failure to properly document employee time could result in expenses being inappropriately charged to grant programs.

Recommendation
We recommend that the School implement a process for document retention regarding information necessary to substantiate amounts claimed for grant reimbursement.

Views of Responsible Officials and Planned Corrective Action
See attached letter of response from School officials.

III. Federal Award Findings and Questioned Costs

FINDING NO. 2014-002 EMPLOYEE TIME RECORDS

Federal Agency:	U.S. Department of Education
Pass-Through Agency:	Indiana Department of Education
Federal Program:	Title I Grants to Local Educational Agencies
CFDA Number:	84.010
Award Year:	FY 2013-14

	Questioned Costs
SIGNIFICANT DEFICIENCY As presented in Finding No. 2014-001, documentation of personnel charged to the Title I grant was not maintained. Because of the failure to maintain such documentation, personnel costs may be charged to the grant inappropriately. Procedures should be implemented to assure such documentation is produced and retained.	$ -0-

GARY LIGHTHOUSE CHARTER SCHOOL

Other Reports

Year Ended June 30, 2014

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Gary Lighthouse Charter School

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Lighthouse Academies of Northwest Indiana, Inc.

February 18, 2015

Fitzgerald/Isaac LLC
9245 N. Meridian St., Suite 302
Indianapolis, IN 46260
Attn: Eugene P. Fitzgerald

Re: Responses to A-133 Findings for Gary Lighthouse Charter School

Dear Sir:

Finding Nos. 2014-1 and 2014-2 EMPLOYEE TIME RECORDS

Audit Comment: The School was unable to provide semi-annual certifications or time-and-effort logs to support employee wages charged to federal grant programs. Documentation of personnel charged to the Title I grant was not maintained.

Cause: The school did not have procedures in place to assure these documents were maintained after the departure of the employee responsible for the reports.

School Response: FY2014 was a year of great change at Gary Lighthouse Charter School. There were new school operations managers and principals. Although the regional operations manager was aware of the requirement for semi-annual certifications and time-and-effort logs, not all of the school operations managers were. The regional operations manager is training the new school operations managers, and she is making sure that the semi-annual certifications and time-and-effort logs are completed. The School will regularly compare its Title I staff as listed in the Title I budget and application with staff listed on its payroll records. Staff funded entirely by Title I will be listed on the Semi-Annual Certification. Staff funded partially by Title I will sign Time & Effort logs. Semi-annual certifications and logs will be reviewed by the School Operations Manager, Regional Operations Manager, Principal, and Controller for accuracy. Changes to the certification due to new hires and/or terminations will need to be verified again.

Thank you.

Sincerely,

Howard Hammond
Controller
Lighthouse Academies of Indiana, Inc.

Financial Audit Reports for Each Charter School

GARY MIDDLE COLLEGE, INC.

FINANCIAL STATEMENTS
June 30, 2014

GARY MIDDLE COLLEGE, INC.

FINANCIAL STATEMENTS
June 30, 3014

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Crowe Horwath

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gary Middle College, Inc.
Gary, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Gary Middle College, Inc. (the School), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' 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. 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 auditors' 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 auditors consider internal control relevant to the entity'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 entity'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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gary Middle College, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows the year then ended in conformity with accounting principles generally accepted in the United States.

Emphasis of Matters

As discussed in Note 1 to the financial statements; in 2014, the entity elected to report on a FASB basis. Our opinion is not modified with respect to this matter.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
October 30, 2014

GARY MIDDLE COLLEGE, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2014

		2014
ASSETS		
Cash and cash equivalents	$	256,030
Grants receivable		65,490
Prepaid expenses		5,956
Due from related parties		55,361
Property and equipment, net		454,496
Total assets	$	837,333
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$	82,503
Due to related parties		15,216
Total liabilities		97,719
Net Assets		
Unrestricted		739,614
Total liabilities and net assets	$	837,333

See accompanying notes to financial statements.

GARY MIDDLE COLLEGE, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

	2014
Public support and revenues	
Federal grants	$ 360,757
State and local grants	1,885,439
Loss on disposal of property and equipment	(14,650)
Total revenue and support	2,231,546
Expenses	
Federal grant funded program activities	163,896
State and local grant funded program activities	713,976
School operations and building services	555,437
Education supporting Services	222,500
Total program expenses	1,655,809
Management and general	3,178
Total expenses	1,658,987
Change in net assets	572,559
Net assets, beginning of year	167,055
Net assets, end of year	$ 739,614

See accompanying notes to financial statements.

4.

GARY MIDDLE COLLEGE, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

		2014
Cash flows from operating activities		
Change in net assets	$	572,559
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation		82,492
Loss on disposal of property and equipment		14,650
Change in assets and liabilities		
Grants receivable		(65,490)
Prepaid expenses		(5,956)
Due to/from related parties		(202,962)
Accounts payable and other accrued expenses		(47,045)
Net cash from operating activities		348,248
Cash flows from investing activities		
Purchases of property and equipment		(134,235)
Proceeds from disposal of property and equipment		33,750
Net cash from investing activities		(100,485)
Cash flows from financing activities		
Principal payments on notes payable		(16,674)
Net cash from financing activities		(16,674)
Net change in cash and cash equivalents		231,089
Cash and cash equivalents, beginning of year		24,941
Cash and cash equivalents, end of year	$	256,030
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$	319

See accompanying notes to financial statements.

5.

Financial Audit Reports for Each Charter School

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: Gary Middle College, Inc. (the School) is a nonprofit corporation established to operate a charter school. The School is dedicated to ensure that all students armed with the skills and tools they will need to not only receive a high school diploma, but also to excel at the collegiate level.

The School was established under the laws of the State of Indiana, and operates under a Board of School Directors form of government. The financial statements of the School are combined into the Greater Education Opportunities Foundation (GEOF) financial statements due to economic control.

During 2014, management determined that the previously issued financial statements in conformity with accounting standards adopted by the Governmental Accounting Standards Board (GASB) were incorrect. Management believes, that based on the governance structure of the School, the financial statements of the School should be accounted for under standards adopted by the Financial Accounting Standards Board (FASB). The impact on the change in net assets at July 1, 2013 due to the conversion from GASB to FASB is not considered material.

Method of Accounting: The School maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The School is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the School is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The School has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit will be recorded.

The School is no longer subject to examination by taxing authorities for years before 2011. The School does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The School recognizes interest and/or penalties related to income tax matters in income tax expense. The School did not have any amounts accrued for interest and penalties at June 30, 2014.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to $250,000. For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted and are due within one year. The School does not accrue interest on any of its grants receivables.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowances: No allowance for doubtful accounts is recorded as of June, 30, 2014. The allowances are based upon prior experience and management's analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The School currently considers all receivables to be fully collectible.

Property and Equipment: Expenditures for property and equipment and items in excess of $500 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Property and equipment	3-7 years

Impairment of Long-Lived Assets: In accordance with GAAP, the School reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2014, management believes that no impairment exists.

Fair Value of Financial Instruments: The carrying value of all the School's financial instruments, which include cash and cash equivalents, grants receivable, and accounts payable, approximate fair values.

Basis of Presentation: The School follows GAAP and reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the School. The unrestricted net assets of the School may be used at the discretion of management to support the School's purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes assets of the School related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. The School had no temporarily restricted net assets as of June 30, 2014.

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets of the School related to contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School had no permanently restricted net assets as of June 30, 2014.

Federal and State Grants: Support funded by grants is recognized as the School performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the School's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional and Allocated Expenses: Expenses are charged directly to activities when specifically identifiable. All other costs are allocated to the activities based upon various actual statistical bases. Salaries and related expenses are charged based on the relative amount of time historically spent by personnel.

Advertising: The School expenses advertising costs as incurred. During 2014, expenses totaling $13,212 were incurred for advertising.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2014, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2014. Management has performed their analysis through October 30, 2014, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

At June 30, the carrying value of furniture, equipment, and textbooks consists of the following:

	2014
Property and equipment	$ 568,460
Less: accumulated depreciation	(113,964)
	$ 454,496

Depreciation expense for the year ended June 30, 2014 was $82,492.

NOTE 3 - LEASES

The School leases space from 21st Century Charter Schools @ Gary, Inc, a related entity. This lease expired June 30, 2014, and is renewed on an annual basis. Rent expense totaled $300,000 for the year ended June 30, 2014.

Future minimum lease payments under operating leases at June 30, 2014, are as follows:

2015	$ 300,000
	$ 300,000

(Continued)

NOTE 4 - RELATED PARTY TRANSACTIONS

The School has a management agreement with GEOF. Under the management agreement, GEOF charges administrative and per student fees in exchange for the management, operation, administration, payroll and accounting services provided. During the year ended June 30, 2014, the School paid GEOF fees of $222,500. As part of the management services provided, GEOF acts as the payor of certain operating expenses, which are reimbursed to GEOF by the School. The School's Board retains final authority and responsibility for financial and budgetary commitments. At June 30, 2014, the School had a payable to GEOF for $14,340. A receivable from GEOF is also recorded as of June 30, 2014 in the amount of $53,250 for overpayment of administrative fees and insurance proceeds from the loss on disposal of equipment shown on the Statement of Activities.

The School also had a receivable from 21st Century Charter School @ Gary, Inc. of $2,111 and a payable to 21st Century Charter Schools @ Gary, Inc. for $876 as of June 30, 2014, for various payroll transactions between the entities.

NOTE 5 - CHARTER AGREEMENT

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Ball State University an annual administrative fee equal to 3% of State tuition support, along with other licensing fees. Payments under this charter agreement were $30,761 for the year ended June 30, 2014.

NOTE 6 - PENSION PLANS

The School's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants may contribute to the plan. There were no employer matching contributions to the plan for the year ended June 30, 2014.

The School also participates in the Public Employment Retirement Fund (PERF) and the Teacher's Retirement Fund (TRF). Employees are required to contribute 3% of gross wages to their respective plan. The School is required to contribute 7.5% to TRF and 11.2% to PERF, respectively. The School's expense for the year ended June 30, 2014 was $36,277.

Financial Audit Reports for Each Charter School

SUPPLEMENTARY INFORMATION

GARY MIDDLE COLLEGE, INC.
OTHER REPORT
Year Ended June 30, 2014

The reports presented herein were prepared in addition to another report prepared for the School as listed below:

Indiana State Board of Accounts Compliance Report of Gary Middle College, Inc.

The above report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

MONTESSORI ACADEMY AT GEIST, INC.

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

MONTESSORI ACADEMY AT GEIST, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Montessori Academy at Geist, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Montessori Academy at Geist, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Montessori Academy at Geist, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
September 5, 2014

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 103,820	239,142
Accounts receivable:		
Grants	1,916	-
Due from affiliated entity	5,809	-
Prepaid expense	33,005	16,754
Total current assets	144,550	255,896
Security deposit	11,000	11,000
Property and equipment:		
Leasehold improvements	143,687	10,272
Furniture and equipment	256,080	249,998
Textbooks	9,732	8,712
Less: accumulated depreciation	(225,188)	(167,176)
Property and equipment, net	184,311	101,806
	$ 339,861	368,702
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 66,012	93,402
Deferred revenue	24,103	15,269
Refundable advances	10,000	-
Total current liabilities	100,115	108,671
Unrestricted net assets	239,746	260,031
	$ 339,861	368,702

Financial Audit Reports for Each Charter School

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Activities

	Year Ended June 30, 2014			Year Ended June 30, 2013		
Revenue and Public Support	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
State education support	$ 1,837,361	-	1,837,361	$ 1,435,468	-	1,435,468
Grant revenue	76,159	-	76,159	241,894	-	241,894
Student fees	72,691	-	72,691	34,646	-	34,646
Contributions	316	-	316	13,980	-	13,980
Other	24,392	-	24,392	7,779	-	7,779
Net assets released from restrictions	-	-	-	20,542	(20,542)	-
Total revenue and public support	2,010,919	-	2,010,919	1,754,309	(20,542)	1,733,767
Expenses						
Program services	1,644,830	-	1,644,830	1,414,517	-	1,414,517
Management and general	386,374	-	386,374	300,232	-	300,232
Total expenses	2,031,204	-	2,031,204	1,714,749	-	1,714,749
Change in net assets before non-operating revenue	(20,285)	-	(20,285)	39,560	(20,542)	19,018
Non-Operating Revenue						
Gain due to changes in legislative funding	-	-	-	28,491	-	28,491
Increase (decrease) in net assets	(20,285)	-	(20,285)	68,051	(20,542)	47,509
Net assets, beginning of year	260,031	-	260,031	191,980	20,542	212,522
Net assets, end of year	$ 239,746	-	239,746	$ 260,031	-	260,031

MONTESSORI ACADEMY AT GEIST, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (20,285)	47,509
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain due to changes in legislative funding	-	(28,491)
Depreciation	58,012	47,152
Change in:		
Accounts receivable	(7,725)	(93,837)
Prepaid expense	(16,251)	(16,526)
Accounts payable and accrued expenses	(27,390)	66,209
Deferred revenue	8,834	15,269
Refundable advances	10,000	(162)
Net cash provided by operating activities	5,195	37,123
Investing Activities		
Purchases of property and equipment	(140,517)	(31,279)
Net cash used by investing activities	(140,517)	(31,279)
Financing Activities		
Proceeds from Common School Fund loans	-	91,666
Net cash provided by financing activities	-	91,666
Net increase (decrease) in cash	(135,322)	97,510
Cash, beginning of year	239,142	141,632
Cash, end of year	$ 103,820	239,142

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Montessori Academy at Geist, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

Student program fees are recognized in the academic school year to which the payments pertain.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Taxes on Income

Montessori Academy at Geist, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	12 years
Furniture and equipment	3 to 5 years
Textbooks	3 to 4 years

Deferred Revenue

Deferred income consists of student fee deposits received as part of the enrollment process that apply to the subsequent academic school year.

Subsequent Events

The School evaluated subsequent events through September 5, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was suspended.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statements of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$672,343
Repayment of accrued interest on Common School Fund loans	74,242
	746,585
Elimination of School funding	(718,094)
	$ 28,491

(3) Leases

The School leases its school facilities as well as certain items of office equipment under operating leases for terms from three to seven years. One facility lease allows the School early termination subject to a buyout provision. Expense under operating leases for the years ended June 30, 2014 and 2013 were $373,010 and $341,296, respectively. Future minimum lease obligations under noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year Ending June 30:	
2015	$391,662
2016	391,662
2017	391,662
2018	259,662
2019	254,068
Thereafter	63,390

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(4) Retirement Plan

Retirement benefits for School employees are provided under a Section 403(b) defined contribution retirement plan. Under the plan, the School will match 100% of employee contributions not to exceed 7% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2014 and 2013. Retirement plan expense for the years ended June 30, 2014 and 2013 was $354 and $6,295, respectively.

(5) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was $42,129 and $18,206 for the years ended June 30, 2014 and 2013. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

(6) Restrictions on Assets

Temporarily restricted net assets as of June 30, 2012 totaling $20,542 related to a previous capital campaign, and were available to be used for capital improvements. This restriction was released in the 2013 fiscal year by incurring costs and expenses relative to the restriction.

(7) Risks and Uncertainties

The School provides educational instruction services to families residing in Hancock and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(8) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$773,453	182,333
Employee benefits	139,803	39,239
Professional services	126,106	45,266
Authorizer oversight fee	-	42,129
Staff development and recruitment	29,316	-
Food costs	1,117	-
Property rental and equipment	41,823	-
Classroom, kitchen and office supplies	52,355	21,163
Occupancy	399,852	-
Depreciation	58,012	-
Advertising	-	60
Insurance	-	30,092
Repairs and maintenance	928	-
Other	22,065	26,092
	$1,644,830	386,374

MONTESSORI ACADEMY AT GEIST, INC.

Notes to Financial Statements

(8) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$661,090	145,343
Employee benefits	117,913	25,422
Professional services	112,015	35,525
Authorizer oversight fee	-	18,206
Staff development and recruitment	9,571	-
Food costs	702	-
Property rental and equipment	52,534	-
Classroom, kitchen and office supplies	27,580	7,648
Occupancy	374,766	-
Depreciation	47,152	-
Interest	-	25,297
Advertising	-	509
Insurance	-	22,692
Repairs and maintenance	500	-
Other	10,694	19,590
	$1,414,517	300,232

MONTESSORI ACADEMY AT GEIST, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Montessori Academy at Geist, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

THE HAMMOND URBAN ACADEMY, INC.

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

THE HAMMOND URBAN ACADEMY, INC.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Hammond Urban Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **The Hammond Urban Academy, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Hammond Urban Academy, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
January 21, 2015

THE HAMMOND URBAN ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 627,497	683,414
Grants receivable	50,717	192,116
Prepaid expenses	49,360	18,381
Total current assets	727,574	893,911
Cash restricted for debt service	1,148,500	1,148,500
Deferred loan costs, net	211,897	221,987
Property and equipment:		
Land	571,881	571,881
Building and improvements	18,436,337	18,334,787
Furniture and equipment	1,538,312	1,569,634
Textbooks	125,832	93,414
Less: accumulated depreciation	(2,926,706)	(2,082,197)
Property and equipment, net	17,745,656	18,487,519
	$ 19,833,627	20,751,917
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 96,733	26,578
Accrued salaries and related benefits	209,359	212,402
Accrued interest	393,376	397,547
Current portion of long-term debt	290,000	140,000
Total current liabilities	989,468	776,527
Long-term debt	12,730,000	13,020,000
Total liabilities	13,719,468	13,796,527
Unrestricted net assets	6,114,159	6,955,390
	$ 19,833,627	20,751,917

THE HAMMOND URBAN ACADEMY, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 3,256,114	2,864,983
Grant revenue	252,512	338,169
Student fees	225,131	154,705
Contributions	307,903	578,081
Other	59,278	19,961
Total revenue and support	4,100,938	3,955,899
Expenses		
Program services	4,300,804	4,435,527
Management and general	641,365	689,887
Total expenses	4,942,169	5,125,414
Change in net assets before non-operating income	(841,231)	(1,169,515)
Non-Operating Income		
Gain due to changes in legislative funding	-	466,558
Change in net assets	(841,231)	(702,957)
Net assets, beginning of year	6,955,390	7,658,347
Net assets, end of year	$ 6,114,159	6,955,390

THE HAMMOND URBAN ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (841,231)	(702,957)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	-	(466,558)
Depreciation and amortization	924,574	1,072,750
Gain of disposal of assets	(13,829)	-
Change in:		
Grants receivable	141,399	(333,187)
Prepaid expenses	(30,979)	17,878
Accounts payable and accrued expenses	62,941	501,212
Net cash provided by operating activities	242,875	89,138
Investing Activities		
Acquisition of property and equipment	(198,842)	(454,482)
Proceeds from sale of property and equipment	40,050	-
Liquidation of bond escrow account	-	158
Net cash used by investing activities	(158,792)	(454,324)
Financing Activities		
Net proceeds from Common School Fund loan	-	255,021
Principal repayment of long-term debt	(140,000)	-
Net cash provided (used) by financing activities	(140,000)	255,021
Net decrease in cash	(55,917)	(110,165)
Cash and cash equivalents, beginning of year	683,414	793,579
Cash and cash equivalents, end of year	$ 627,497	683,414
Supplemental disclosures:		
Cash paid for interest expense	$ 867,375	867,375

THE HAMMOND URBAN ACADEMY, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

The Hammond Urban Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School is dedicated to provide the highest quality level of education to students in grades six to twelve by implementing state of the art technology and research-based instruction in an environment conducive to learning.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Grants Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

THE HAMMOND URBAN ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	30 years
Furniture and equipment	3 to 5 years
Textbooks	5 years

Taxes on Income

The Hammond Urban Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012 and 2011 are open to audit for both federal and state purposes.

Deferred Loan Costs

Costs associated with debt issuance are amortized over the life of the related debt obligation using the straight-line method. Amortization of deferred loan costs is included in interest expense and amounted to $10,090 for each of the years ended June 30, 2014 and 2013.

THE HAMMOND URBAN ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Subsequent Events

The School evaluated subsequent events through January 21, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

THE HAMMOND URBAN ACADEMY, INC.

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$ 1,775,282
Repayment of accrued interest on Common School Fund loans	123,767
	1,899,049
Elimination of School funding	(1,432,491)
	$ 466,558

(3) Leases

The School leases certain items of office equipment under operating leases for terms from three to five years. Expense under operating leases for the years ended June 30, 2014 and 2013 was $9,545 and $11,214, respectively. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year Ending June 30:	
2015	$ 5,160
2016	5,160
2017	2,580

(4) Retirement Plan

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer cost-sharing defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. For the years ended June 30, 2014 and 2013, the School contributed 10.5% of compensation for teaching faculty to TRF. The contribution to PERF for other employees was 10.75% of compensation. Substantially all full-time employees are eligible to participate. Retirement plan expense was $164,819 and $159,350 for the years ended June 30, 2014 and 2013, respectively.

THE HAMMOND URBAN ACADEMY, INC.

Notes to Financial Statements

(5) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 consisted of a promissory note payable to the City of Hammond, funding for which was obtained by the issuance of Economic Development Revenue Bonds. The bonds were issued for the purpose of (1) financing all or a portion of the costs of construction, installation, and equipping of the charter school facility consisting of 72,000 square feet of space, (2) construction period interest on the Qualified Obligations through February 15, 2011, (3) a debt service reserve fund, and (4) various costs incidental to the financing. The note carries the same term as the related bonds, including interest at rates that vary from 6.5% to 6.75% and a maturity date of July 15, 2035. Interest only was payable until January 2014 when semi-annual principal payments began. The loan is secured by a first mortgage on the land and building as well as a security interest in all fixtures, equipment, and machinery installed therein. The loan agreement also contains certain covenants that limit the School's ability to create liens, incur indebtedness, dispose of facility assets, or change the nature of its business.

Principal maturities of long-term debt are scheduled as follows:

Year Ending June 30:	
2015	$ 290,000
2016	305,000
2017	325,000
2018	355,000
2019	375,000
Thereafter	11,370,000
	$13,020,000

The City of Hammond has also committed to supplement any anticipated shortfall the School may have in meeting the debt service obligation. For the years ended June 30, 2014 and 2013, the City of Hammond provided funding in the amounts of $306,543 and $469,828 to meet the debt service obligation.

THE HAMMOND URBAN ACADEMY, INC.

Notes to Financial Statements

(6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. The charter remains in effect until June 30, 2015, and is renewable thereafter by mutual consent. Payments under this agreement were $82,606 and $79,135 for the years ended June 30, 2014 and 2013, respectively.

(7) Risks and Uncertainties

The School provides education services to families residing in Lake and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the accounts receivable balance was due from the State of Indiana. Bank deposits are maintained at First Merchants Bank and are insured up to the FDIC insurance limit.

THE HAMMOND URBAN ACADEMY, INC.

Notes to Financial Statements

(8) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 1,625,378	302,892
Employee benefits	414,083	86,649
Authorizer's fees	-	82,606
Supplies and materials	76,819	9,665
Contracted transportation	4,066	-
Depreciation and amortization	914,483	-
Equipment	70,686	-
Food service expense	104,612	-
Insurance	-	57,606
Interest	873,307	-
Occupancy	120,114	-
Professional fees	70,486	77,680
Repairs and maintenance	10,251	-
Staff development	7,590	-
Other	8,929	24,267
	$ 4,300,804	641,365

THE HAMMOND URBAN ACADEMY, INC.

Notes to Financial Statements

(8) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$1,540,472	287,633
Employee benefits	428,804	68,734
Authorizer's fees	-	79,135
Supplies and materials	80,754	24,659
Contracted transportation	4,844	-
Depreciation and amortization	1,072,750	-
Equipment	122,049	-
Food service expense	114,424	-
Insurance	-	52,322
Interest	867,375	60,416
Occupancy	114,429	-
Professional fees	55,523	79,397
Repairs and maintenance	10,511	-
Staff development	17,021	-
Other	6,571	37,591
	$ 4,435,527	689,887

THE HAMMOND URBAN ACADEMY, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of The Hammond Urban Academy, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

Financial Audit Reports for Each Charter School

HOOSIER ACADEMY INDIANAPOLIS

Financial Statements

June 30, 2014 and 2013

HOOSIER ACADEMY INDIANAPOLIS

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Hoosier Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Hoosier Academy Indianapolis** (an operating component of Hoosier Academy, Inc., a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

Basis for Qualified Opinion

As presented in Note 2 to the financial statements, the Indiana Legislature passed amendments to the Indiana Charter Schools Act that resulted in the suspension of funding in the amount of $163,940. The School believes that these funds were earned under state law, that there was no legislative intent to retroactively defund the School as it transitioned to a new funding method for school year 2014, and that these funds cannot be withheld in the absence of other compensatory reimbursements. Accordingly, the School is appealing this result with the state government for the unremitted funding shortfall with the expectation that it will ultimately be successful in restoring the unremitted income, and has reflected this income as a receivable on its statements of financial position as of June 30, 2014 and 2013. Accounting principles generally accepted in the United States of America require that a potential gain that is contingent upon a future event be recognized when the amount is realized. If the School were to recognize this gain contingency when realized, a write down of receivables in the amount of $163,940 would be required as of June 30, 2014 and 2013. Accordingly, unrestricted net assets as of June 30, 2014 and 2013 and the change in net assets for the year ended June 30, 2013 would be reduced by this amount.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Hoosier Academy Indianapolis as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
November 25, 2015

HOOSIER ACADEMY INDIANAPOLIS

Statements of Financial Position

Assets	June 30 2014	June 30 2013
Current assets:		
Cash and cash equivalents	$ 937,263	885,439
Accounts receivable:		
State education support	163,940	163,940
Grants	129,204	57,531
K12 Classroom, LLC	4,362	4,000
Other	-	2,399
Prepaid expenses	44,522	45,675
Total current assets	1,279,291	1,158,984
Property and equipment:		
Leasehold improvements	777,312	777,312
Furniture and equipment	836,788	814,274
Less: accumulated depreciation	(1,051,043)	(885,121)
Property and equipment, net	563,057	706,465
	$ 1,842,348	1,865,449
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses:		
K12 Classroom, LLC	$ 1,601,840	1,660,432
Other	237,508	201,084
Refundable advances	3,000	3,000
Deferred rent	-	933
Total current liabilities	1,842,348	1,865,449
Unrestricted net assets	-	-
	$ 1,842,348	1,865,449

HOOSIER ACADEMY INDIANAPOLIS

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 2,596,499	3,150,615
Grant revenue	129,739	182,228
Contributions	22,513	-
Student fees	4,071	2,272
Interest income	3,034	3,052
Other income	2,843	11,451
Total revenue and support	2,758,699	3,349,618
Expenses		
Program services	2,241,281	2,936,613
Management and general	517,418	413,005
Total expenses	2,758,699	3,349,618
Change in net assets	-	-
Net assets, beginning of year	-	-
Net assets, end of year	$ -	-

HOOSIER ACADEMY INDIANAPOLIS

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ -	-
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Donated equipment	(22,514)	-
Depreciation	165,922	218,048
Change in:		
Accounts receivable	(69,636)	313,401
Prepaid expenses	1,153	(17,790)
Accounts payable and accrued expenses	(22,168)	665,836
Deferred rent	(933)	(5,134)
Refundable advances	-	3,000
Net cash provided by operating activities	51,824	1,177,361
Investing Activities		
Purchases of property and equipment	-	(2,840)
Net cash used by investing activities	-	(2,840)
Financing Activities		
Repayments of K12 Classroom, LLC loan	-	(766,995)
Net cash used by financing activities	-	(766,995)
Net increase in cash	51,824	407,526
Cash and cash equivalents, beginning of year	885,439	477,913
Cash and cash equivalents, end of year	$ 937,263	885,439

HOOSIER ACADEMY INDIANAPOLIS

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Hoosier Academy Indianapolis (the "School") is a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The sponsor granted a charter to the School's organizer, Hoosier Academy, Inc., a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. Hoosier Academy, Inc. is also the organizer and governing body for one other Indiana charter school. The School has entered into a service agreement with K12 Classroom, LLC to provide administrative and technology services.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. See Note 2 for additional information.

HOOSIER ACADEMY INDIANAPOLIS

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	12 to 15 years
Furniture and equipment	2 to 5 years

Taxes on Income

Hoosier Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require Hoosier Academy, Inc. to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Hoosier Academy, Inc. has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending after 2011 are open to audit for both federal and state purposes.

HOOSIER ACADEMY INDIANAPOLIS

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through November 25, 2015, the date these financial statements were available to be issued. Events and transactions occurring through that date have been evaluated to determine whether recognition or disclosure in the financial statements would be required.

Reclassifications

Certain figures for 2013 that were previously reported have been reclassified for comparative purposes.

(2) Accounts Receivable

Accounts receivable from the State of Indiana for education support reflect the following amounts as of June 30, 2014 and 2013:

Tuition support	$1,409,327
Special education grant	153,827
Prime time grant	10,804
Honors grant	1,350
	1,575,308
Less: reduction for loan forgiveness	(1,411,368)
	$ 163,940

The School's accounts receivable balance for education support consists of amounts due from the State of Indiana for tuition support relating to (a) the first six months of the School's initial school year and (b) enrollment growth occurring in subsequent school years.

Pursuant to IC §20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that are defined in the statute.

HOOSIER ACADEMY INDIANAPOLIS

Notes to Financial Statements

(2) Accounts Receivable, Continued

In April 2013, the Indiana General Assembly repealed IC §20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. The School applied for and was forgiven from repaying the balance of its indebtedness plus accrued interest of $1,411,368 as of June 30, 2013. The receivable for education support has been reduced by the amount of the loan forgiven.

Members of the Indiana General Assembly and the executive branch have been informed that a number of charter schools remain with an accounts receivable balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. Legislative and administrative efforts are being made to resolve any outstanding obligations of the State.

(3) Leases

The School leases the school facility under an operating lease with Patriots Place, LLC, and another building for administrative purposes from Franklin Road Realty, LLC. The leases provide for monthly lease payments through August 2016 and June 2017, respectively. The School also leases certain items of office equipment under an operating lease, which provides for monthly payments through August 2017. Rent expense for the years ended June 30, 2014 and 2013 under these operating leases was $446,682 and $452,960, respectively.

Future minimum lease obligations under operating leases with initial terms in excess of one year are as follows:

Year Ended June 30:	
2015	$411,465
2016	400,195
2017	255,608

HOOSIER ACADEMY INDIANAPOLIS

Notes to Financial Statements

(4) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Payments under this charter agreement were $60,953 and $42,280 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

The School has contracted with K12 Classroom, LLC to provide administrative and technology services. Under the terms of the agreement, the School has agreed to pay an amount equal to 22% of revenues, as defined, for such services. Such fees for the years ended June 30, 2014 and 2013 were $599,112 and $721,763, respectively. The School also purchases certain other curriculum materials and supplies for which the School is billed as goods and services are received. Such purchases aggregated $1,284,599 and $1,599,529 for the years ended June 30, 2014 and 2013. This agreement remains in effect until June 30, 2016.

K12 Classroom, LLC has agreed to issue credits against the amounts billed for services and products provided, if needed, to ensure that the School does not end a fiscal year with a financial deficit. For the years ended June 30, 2014 and 2013, service fees were reduced as follows:

	Administrative and Technology Fees	Other Service Fees
Year Ended June 30, 2014:		
Charges per contract	$ 599,112	1,284,599
Credits issued by K12 Classroom, LLC.	(599,112)	(821,105)
Net charges	$ -	463,494
Year Ended June 30, 2013:		
Charges per contract	$721,763	1,599,500
Credits issued by K12 Classroom, LLC.	(721,763)	(825,964)
Net charges	$ -	773,536

HOOSIER ACADEMY INDIANAPOLIS

Notes to Financial Statements

(4) Commitments, Continued

The deficit credits provided by K12 Classroom, LLC are subject to repayment if the School experiences a surplus in subsequent fiscal years. The amount of the repayment is based on a percentage of the surplus experienced during such fiscal year ranging from 25% to 75% dependent upon the amount of the surplus. Any unpaid credits remaining upon termination of the agreement are not subject to repayment. The School is not able to estimate the amount of the repayment, if any, expected to be made in future years.

(5) Retirement Plans

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Under the plan, the School contributes 7% of compensation for all participating personnel. In lieu of TRF, employees can opt to participate in a 403(b) plan offered through the Indiana Public Charter School Association. The School also contributes 7% of compensation to the 403(b) plan. Substantially, all full-time employees are eligible to participate in either plan. Retirement plan expense was $47,359 and $70,831 for the years ended June 30, 2014 and 2013, respectively.

(6) Risks and Uncertainties

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations could result in additional liability to be imposed.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits are maintained at PNC Bank and are insured up to the FDIC insurance limit.

HOOSIER ACADEMY INDIANAPOLIS

Notes to Financial Statements

(7) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 716,823	193,402
Employee benefits	177,190	42,817
Staff development	3,532	-
Professional services	102,634	131,939
Authorizer oversight fee	-	60,953
Food costs	25,208	-
Equipment rental and maintenance	246,455	-
Classroom and office supplies	323,982	42,203
Occupancy	424,009	-
Depreciation	165,922	-
Other	55,526	46,104
	$2,241,281	517,418

HOOSIER ACADEMY INDIANAPOLIS

Notes to Financial Statements

(7) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 991,293	155,240
Employee benefits	276,736	36,918
Staff development	25,270	-
Professional services	114,467	106,434
Authorizer oversight fee	-	42,280
Food costs	22,356	-
Equipment rental and maintenance	546,043	-
Classroom and office supplies	486,494	15,674
Occupancy	206,356	-
Depreciation	218,048	-
Interest	-	22,806
Other	49,550	33,653
	$2,936,613	413,005

Financial Audit Reports for Each Charter School

HOOSIER ACADEMY INDIANAPOLIS

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Hoosier Academy Indianapolis

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

Financial Audit Reports for Each Charter School

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Financial Statements

June 30, 2014 and 2013

Financial Audit Reports for Each Charter School

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Hoosier Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Hoosier Academy Virtual Charter School** (an operating component of Hoosier Academy, Inc., a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 entity'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 entity'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 qualified audit opinion.

Basis for Qualified Opinion

As presented in Note 2 to the financial statements, the Indiana Legislature passed amendments to the Indiana Charter Schools Act that resulted in the suspension of funding in the amount of $4,832,356. The School believes that these funds were earned under state law, that there was no legislative intent to retroactively defund the School as it transitioned to a new funding method for school year 2014, and that these funds cannot be withheld in the absence of other compensatory reimbursements. Accordingly, the School is appealing this result with the state government for the unremitted funding shortfall with the expectation that it will ultimately be successful in restoring the unremitted income, and has reflected this income as a receivable on its statements of financial position as of June 30, 2014 and 2013. Accounting principles generally accepted in the United States of America require that a potential gain that is contingent upon a future event be recognized when the amount is realized. If the School were to recognize this gain contingency when realized, a write down of receivables in the amount of $4,832,356 would be required as of June 30, 2014 and 2013. Accordingly, unrestricted net assets as of June 30, 2014 and 2013 and the change in net assets for the year ended June 30, 2013 would be reduced by the same amount.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of **Hoosier Academy Virtual Charter School** as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2015 on our consideration of **Hoosier Academy Virtual Charter 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 **Hoosier Academy Virtual Charter School's** internal control over financial reporting and compliance.

Indianapolis, IN
November 25, 2015

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 3,082,315	2,390,757
Accounts receivable:		
State education support	4,832,356	4,832,356
Grants	794,746	240,883
Hoosier Academy Indianapolis	7,201	132,788
Hoosier Academy Muncie	-	4,214
K12 Classroom, LLC	9,405	6,761
Prepaid expenses	48,630	13,449
Total current assets	8,774,653	7,621,208
Furniture and equipment	333,899	149,899
Less: accumulated depreciation	(136,924)	(74,570)
Furniture and equipment, net	196,975	75,329
	$ 8,971,628	7,696,537
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses:		
K12 Classroom, LLC	$ 7,978,815	7,184,941
Other	990,105	508,888
Refundable advances	2,708	2,708
Total current liabilities	8,971,628	7,696,537
Unrestricted net assets	-	-
	$ 8,971,628	7,696,537

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 21,658,424	17,241,849
Grant revenue	1,042,276	886,645
Other income	10,003	7,244
Total revenue and support	22,710,703	18,135,738
Expenses		
Program services	18,714,229	17,053,578
Management and general	3,996,474	1,082,160
Total expenses	22,710,703	18,135,738
Change in net assets	-	-
Net assets, beginning of year	-	-
Net assets, end of year	$ -	-

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ -	-
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Forgiveness of Common School Fund loans	-	(3,714,282)
Depreciation	62,354	49,016
Change in:		
Accounts receivable	(426,706)	(922,228)
Prepaid expenses	(35,181)	(13,449)
Accounts payable and accrued expenses	1,275,091	6,431,266
Refundable advances	-	2,708
Net cash provided by operating activities	875,558	1,833,031
Investing Activities		
Purchases of property and equipment	(184,000)	(29,666)
Net cash used by investing activities	(184,000)	(29,666)
Financing Activities		
Repayment of Indiana Common School Fund loan	-	(95,238)
Net cash used by financing activities	-	(95,238)
Net increase in cash	691,558	1,708,127
Cash and cash equivalents, beginning of year	2,390,757	682,630
Cash and cash equivalents, end of year	$ 3,082,315	2,390,757
Supplemental disclosures:		
Cash paid for interest expense	$ -	174,090

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Hoosier Academy Virtual Charter School (the "School") is a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The sponsor granted a charter to the School's organizer, Hoosier Academy, Inc., a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. Hoosier Academy, Inc. is also the organizer and governing body for one other Indiana charter school. The School commenced operations as of July 1, 2010 offering an on-line curriculum that is open to students throughout the State of Indiana. The School has entered into a service agreement with K12 Classroom, LLC to provide administrative and technology services.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. See Note 2 for additional information.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Furniture and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful life of the assets is three years.

Taxes on Income

Hoosier Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income, Continued

Professional accounting standards require Hoosier Academy, Inc. to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Hoosier Academy, Inc. has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending after 2011 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through November 25, 2015, the date these financial statements were available to be issued. Events and transactions occurring through that date have been evaluated to determine whether recognition or disclosure in the financial statements would be required.

(2) Accounts Receivable

Accounts receivable from the State of Indiana for education support reflect the following amounts as of June 30, 2014 and 2013:

	2014	2013
Tuition support	$ 7,584,650	7,584,650
Special education grant	1,036,274	1,036,274
	8,620,924	8,620,924
Less: reduction for loan forgiveness	(3,788,568)	(3,788,568)
	$ 4,832,356	4,832,356

The School's accounts receivable balance for education support consists of amounts due from the State of Indiana for tuition support relating to (a) the first six months of the School's initial school year and (b) enrollment growth occurring in subsequent school years.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Notes to Financial Statements

(2) Accounts Receivable, Continued

Pursuant to IC §20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that are defined in the statute.

In April 2013, the Indiana General Assembly repealed IC §20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. The School applied for and was forgiven from repaying the balance of its indebtedness plus accrued interest of $3,788,568 as of June 30, 2013. The receivable for education support has been reduced by the amount of the loan forgiven.

Members of the Indiana General Assembly and the executive branch have been informed that a number of charter schools remain with an accounts receivable balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. Legislative and administrative efforts are being made to resolve any outstanding obligations of the State.

(3) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Payments under this charter agreement were $492,095 and $227,539 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

The School has contracted with K12 Classroom, LLC to provide administrative and technology services. Under the terms of the agreement, the School has agreed to pay an amount equal to 22% of revenues, as defined, for such services. Such fees for the years ended June 30, 2014 and 2013 were $5,008,781 and $3,988,268, respectively. The School also purchases certain curriculum materials and supplies for which the School is billed as goods and services are received. Such purchases aggregated $11,553,092 and $11,808,445 for the years ended June 30, 2014 and 2013. This agreement remains in effect until June 30, 2016.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Notes to Financial Statements

(3) Commitments, Continued

K12 Classroom, LLC has agreed to issue credits against the amounts billed for services and products provided, if needed, to ensure that the School does not end a fiscal year with a financial deficit. For the years ended June 30, 2014 and 2013, service fees were reduced as follows:

	Administrative and Technology Fees	Other Service Fees
Year Ended June 30, 2014:		
Charges per contract	$5,008,781	11,553,092
Credits issued by K12 Classroom, LLC.	(868,874)	(-)
Net charges	$4,139,907	11,553,092
Year Ended June 30, 2013:		
Charges per contract	$3,988,268	11,808,445
Credits issued by K12 Classroom, LLC.	(2,561,468)	(-)
Net charges	$1,426,800	11,808,445

The deficit credits provided by K12 Classroom, LLC are subject to repayment if the School experiences a surplus in subsequent fiscal years. The amount of the repayment is based on a percentage of the surplus experienced during such fiscal year ranging from 25% to 75% dependent upon the amount of the surplus. Any unpaid credits remaining upon termination of the agreement are not subject to repayment. The School is not able to estimate the amount of the repayment, if any, expected to be made in future years.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Notes to Financial Statements

(4) Retirement Plans

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Under the plan, the School contributes 7% of compensation for all participating personnel. In lieu of TRF, employees can opt to participate in a 403(b) plan offered through the Indiana Public Charter School Association. The School also contributes 7% of compensation to the 403(b) plan. Substantially, all full-time employees are eligible to participate in either plan. Retirement plan expense was $211,241 and $162,963 for the years ended June 30, 2014 and 2013, respectively.

(5) Risks and Uncertainties

The School provides educational instruction services to students throughout the State of Indiana through its virtual curriculum, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations could result in additional liability to be imposed.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, substantially all of the receivable balance was due from the State of Indiana. In addition, cash deposits are maintained at PNC Bank and normally exceed the FDIC insurance limit.

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Notes to Financial Statements

(6) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$3,727,758	343,448
Employee benefits	974,007	72,863
Staff development and recruitment	118,576	-
Professional services	2,306,573	195,549
Management services	-	2,557,773
Authorizer oversight fee	-	492,095
Property rental and technology support	1,425,407	-
Classroom and office supplies	9,974,737	58,278
Occupancy	64,006	-
Depreciation	62,354	-
Other	60,811	276,468
	$18,714,229	3,996,474

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Notes to Financial Statements

(6) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 2,548,489	90,551
Employee benefits	697,375	22,183
Staff development and recruitment	31,919	-
Professional services	1,906,913	146,657
Management services	-	157,806
Authorizer oversight fee	-	227,539
Property rental and technology support	1,841,195	-
Classroom and office supplies	9,870,907	57,476
Occupancy	50,322	-
Depreciation	49,016	-
Interest	-	159,486
Other	49,550	220,462
	$17,053,578	1,082,160

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	13-9865/14-9865	$ 291,561
Special Education Cluster			
Special Education - Grants to States	84.027	14214-538-PN01	417,064
Charter Schools Program	84.282		118,864
Improving Teacher Quality State Grants	84.367		54,357
Total for federal grantor agency			881,846
Total federal awards expended			$ 881,846

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of **Hoosier Academy Virtual Charter School** (the "School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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*

The Board of Directors
Hoosier Academy, Inc.

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 **Hoosier Academy Virtual Charter School** (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from 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 *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, IN
November 25, 2015

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

The Board of Directors
Hoosier Academy, Inc.

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of **Hoosier Academy Virtual Charter School** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

Indianapolis, IN
November 25, 2015

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Special Education Cluster
84.027	Special Education – Grants to States
84.282	Charter Schools Program

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

Financial Audit Reports for Each Charter School

HOOSIER ACADEMY VIRTUAL CHARTER SCHOOL

Other Reports

Year Ended June 30, 2014

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Hoosier Academy Virtual Charter School

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Imagine Indiana Life Sciences Academy West, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Imagine Indiana Life Sciences Academy West, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 entity'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 entity'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.

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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 Imagine Indiana Life Sciences Academy West, Inc. as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of Imagine Indiana Life Sciences Academy West, Inc.'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 Imagine Indiana Life Sciences Academy West, Inc.'s internal control over financial reporting and compliance.

Hagerman / Isaac LLC

Indianapolis, IN
December 12, 2014

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 329,260	705,937
Accounts receivable:		
Grants	82,383	72,908
Other	47,356	7,547
Prepaid expenses	9,061	3,720
Total current assets	468,060	790,112
Property and equipment:		
Furniture, fixtures, and equipment	842,179	788,016
Less: accumulated depreciation	(711,042)	(581,993)
Property and equipment, net	131,137	206,023
	$ 599,197	996,135
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses:		
Due to Imagine Schools, Inc.	$ 4,867	262,471
Other	103,966	113,109
Refundable advances	11,379	5,440
Total current liabilities	120,212	381,020
Deferred rent payable	316,314	312,996
Total liabilities	436,526	694,016
Unrestricted net assets	162,671	302,119
	$ 599,197	996,135

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 4,036,123	4,264,254
Grant revenue	1,396,793	1,425,086
Student fees	32,267	52,660
Rental income	3,880	3,020
Contributions	3,059	353
Other	59,800	56,361
Total revenue and support	5,531,922	5,801,734
Expenses		
Program services	4,581,695	4,638,705
Management and general	1,089,675	990,302
Total expenses	5,671,370	5,629,007
Change in net assets before non-operating revenue	(139,448)	172,727
Non-Operating Revenue		
Gain due to changes in legislative funding	-	484,219
Increase (decrease) in net assets	(139,448)	656,946
Net assets (deficiency), beginning of year	302,119	(345,733)
Net assets, end of year	$ 162,671	302,119

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (139,448)	656,946
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	-	(484,219)
Depreciation	129,048	155,217
Change in:		
Accounts receivable	(49,284)	(116,816)
Prepaid expenses	(5,340)	1,708
Accounts payable and accrued expenses	(263,429)	(42,398)
Refundable advances	5,939	(6,503)
Net cash provided (used) by operating activities	(322,514)	163,935
Investing Activities		
Purchase of property and equipment	(54,163)	(10,763)
Net cash used by investing activities	(54,163)	(10,763)
Net increase (decrease) in cash	(376,677)	153,172
Cash, beginning of year	705,937	411,060
Cash, end of year	$ 329,260	705,937

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Imagine Indiana Life Sciences Academy West, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School has entered into a service agreement with Imagine Schools, Inc., an organization incorporated in the State of Virginia, to provide curriculum, managerial, legal, and financial services.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under grants and legislation of the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Imagine Indiana Life Sciences Academy West, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012 and 2011 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives for furniture, fixtures and equipment range from three to twenty years.

Deferred Rent Payable

The operating lease on the school facility contains a provision for future rent increases. In accordance with generally accepted accounting principles, the School records monthly rent expense equal to the total payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is reflected as deferred rent payable in the accompanying statement of financial position.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through December 12, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$2,386,657
Repayment of accrued interest on Common School Fund loans	229,689
	2,616,346
Elimination of School funding	(2,132,127)
	$ 484,219

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(3) Leases

The School leases the school facility and certain items of equipment under operating leases. The school facility is leased from Schoolhouse Finance, LLC, an affiliate of Imagine Schools, Inc., which is under contract to operate and manage the School. The lease provides for monthly rental payments, which escalate at 2% annually, through June 30, 2019. The equipment lease provides for monthly lease payments through May 2017. Lease expense under operating leases for the years ended June 30, 2014 and 2013 was $1,111,660 and $1,111,197, respectively.

Future minimum lease obligations are as follows:

Year Ended June 30:	
2015	$ 1,129,951
2016	1,151,992
2017	1,172,148
2018	1,169,500
2019	1,192,890

(4) Commitments

The School has executed an operating agreement with Imagine Schools, Inc., whereby Imagine Schools, Inc. provides management, administrative, and educational programming services. This agreement remains in effect so long as the School maintains its charter, but may be terminated by either party with appropriate advance notice. Under terms of the agreement, the School has agreed to pay an amount equal to 12% of revenues, as defined, for such services. Aggregate payments to Imagine Schools, Inc. under this agreement were $458,894 and $492,468 for the years ended June 30, 2014 and 2013, respectively.

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the school has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were $71,551 and $61,559 for the years ended June 30, 2014 and 2013, respectively. The charter remained in effect until June 30, 2014. As of July 1, 2014, the School changed its charter sponsorship to Trine University. Under this agreement, the School has agreed to pay to Trine University an annual administrative fee equal to 3% of state tuition support.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(5) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014 and 2013, the School had refundable grant advances in excess of expenditures of $11,379 and $5,440, respectively.

(6) Retirement Plan

The School participates in a Section 401(k) retirement plan sponsored by Imagine Schools, Inc. for the benefit of its employees. Under the plan, the School will match 100% of employee contributions not to exceed 5% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2014 and 2013. Retirement plan expense for the years ended June 30, 2014 and 2013 was $54,202 and $54,261, respectively.

(7) Risks and Uncertainties

The School provides educational instruction services to families residing primarily in Marion County, Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, 63% of the accounts receivable balance was due from the State of Indiana.

All deposits are maintained at JP Morgan Chase Bank and are insured up to the FDIC insurance limit.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(8) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 1,732,574	344,635
Employee benefits	353,281	48,151
Professional services	86,674	47,991
Staff development and recruitment	26,007	-
Academic services	-	458,894
Authorizer oversight fee	-	71,550
Food costs	292,439	-
Transportation service	249,240	-
Property rental	-	29,240
Information technology	-	42,842
Classroom, kitchen and office supplies	246,645	24,262
Occupancy	1,453,115	-
Depreciation	129,048	-
Other	12,672	22,110
	$ 4,581,695	1,089,675

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(8) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$1,757,049	223,430
Employee benefits	337,833	33,163
Professional services	122,560	44,541
Staff development and recruitment	13,473	-
Academic services	-	492,468
Authorizer oversight fee	-	61,559
Food costs	320,995	-
Transportation service	328,640	-
Property rental	-	25,433
Information technology	-	38,229
Classroom, kitchen and office supplies	188,832	24,541
Occupancy	1,407,981	-
Depreciation	155,217	-
Interest	-	19,693
Other	6,125	27,245
	$4,638,705	990,302

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		$ 76,228
National School Lunch Program	10.555		207,961
Total for cluster			284,189
U.S. DEPARTMENT OF EDUCATION			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	13-9850	104,187
	84.010	14-9850	518,056
Special Education Cluster			
Special Education - Grants to States	84.027	14213-554-PN01	88,352
	84.027	14214-554-PN01	22,866
Charter Schools Program	84.282	SY2012-13-006	113,125
English Language Acquisition Grants	84.365	01113-098-PN01	9,533
	84.365	01114-031-PN01	6,514
Improving Teacher Quality State Grants	84.367	12-9850	7,958
Total for federal grantor agency			870,591
Total federal awards expended			$ 1,154,780

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Imagine Indiana Life Sciences Academy West, Inc. (the "School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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*

The Board of Directors
Imagine Indiana Life Sciences Academy West, Inc.

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 **Imagine Indiana Life Sciences Academy West, Inc.** (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, IN
December 12, 2014

Fitzgerald | Isaac LLC
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
Imagine Indiana Life Sciences Academy West, Inc.

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Imagine Indiana Life Sciences Academy West, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

Indianapolis, IN
December 12, 2014

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Title I, Part A Cluster
84.010	Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	Yes

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Exit Conference

Year Ended June 30, 2014

The contents of this report were discussed on January 16, 2015 with Bianca Rivers (School Leader), Amy Williams (Regional Business Manager), Steven Ramos (Board Chair), Jorge Arredondo (Board Treasurer), and Angelica Cely (School Business Manager).

Financial Audit Reports for Each Charter School

INDIANA CONNECTIONS ACADEMY, INC.

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

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Financial Audit Reports for Each Charter School

INDIANA CONNECTIONS ACADEMY, INC.

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Indiana Connections Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Indiana Connections Academy, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 entity'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 entity'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.

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

Basis for Qualified Opinion

As presented in Note 2 to the financial statements, the Indiana Legislature passed amendments to the Indiana Charter Schools Act that resulted in the suspension of funding in the amount of $6,859,281. The School believes that this was not the intent of the legislation and has appealed this result with its elected officials, anticipating a resolution by 2017. The School believes that it will ultimately be successful in restoring this income through legislative channels, and continues to reflect this amount as a receivable on its statements of financial position as of June 30, 2014 and 2013. Accounting principles generally accepted in the United States of America require that a potential gain that is contingent upon a future event be recognized when the amount is realized. If the School were to recognize this gain contingency when realized, a write down of receivables in the amount of $3,848,885 would be required as of June 30, 2014 and 2013. The change in net assets for the year ended June 30, 2013 and unrestricted net assets as of June 30, 2014 and 2013 would be reduced by the same amount.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Connections Academy, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015 on our consideration of Indiana Connections Academy, Inc.'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 Indiana Connections Academy, Inc.'s internal control over financial reporting and compliance.

Indianapolis, IN
March 27, 2015

INDIANA CONNECTIONS ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 3,163,535	3,192,164
Accounts receivable:		
State tuition support	3,848,885	3,848,885
Grants	291,830	627,919
Other	737	902
Prepaid expense	12,368	10,762
Total current assets	7,317,355	7,680,632
Property and equipment:		
Leasehold improvements	3,132	2,132
Furniture and equipment	77,530	8,523
Less: accumulated depreciation	(12,496)	(1,708)
Property and equipment, net	68,166	8,947
	$ 7,385,521	7,689,579
Liabilities and Net Assets		
Current liabilities:		
Due to Connections Academy of Indiana, LLC	$ 6,889,092	7,148,289
Other accounts payable and accrued expenses	486,472	465,604
Total current liabilities	7,375,564	7,613,893
Unrestricted net assets	9,957	75,686
	$ 7,385,521	7,689,579

INDIANA CONNECTIONS ACADEMY, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 17,587,186	13,718,563
Grant revenue	933,214	940,636
Other	2,325	1,504
Total revenue and support	18,522,725	14,660,703
Expenses		
Program services	16,777,498	13,490,891
Management and general	1,810,956	1,096,446
Total expenses	18,588,454	14,587,337
Change in net assets	(65,729)	73,366
Net assets, beginning of year	75,686	2,320
Net assets, end of year	$ 9,957	75,686

INDIANA CONNECTIONS ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (65,729)	73,366
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	10,788	1,708
Change in:		
State tuition support receivable	-	(2,158,079)
Grants and other receivables	336,254	(571,040)
Prepaid expense	(1,606)	(2,903)
Due to Connections Academy of Indiana, LLC	(259,197)	2,631,244
Other accounts payable and accrued expenses	20,868	228,143
Net cash provided by operating activities	41,378	202,439
Investing Activities		
Purchases of property and equipment	(70,007)	(10,655)
Net cash used by investing activities	(70,007)	(10,655)
Financing Activities		
Proceeds from Common School Fund loan	-	3,594,503
Principal repayments on Common School Fund loan	-	(599,084)
Net cash provided by financing activities	-	2,995,419
Net increase (decrease) in cash	(28,629)	3,187,203
Cash, beginning of year	3,192,164	4,961
Cash, end of year	$ 3,163,535	3,192,164
Supplementary information:		
Cash payments for interest expense	$ -	14,870

INDIANA CONNECTIONS ACADEMY, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Indiana Connections Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a virtual public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School, which previously operated as a pilot program established by Rural Community Schools, Inc., commenced operations as a separate entity as of January 1, 2012.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to funding received by other public schools. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary with regard to such receivables.

INDIANA CONNECTIONS ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	3 to 7 years
Furniture and equipment	5 to 7 years

Taxes on Income

Indiana Connections Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the periods ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years 2013 and 2012 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through March 27, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

INDIANA CONNECTIONS ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Reclassifications

Certain figures for 2013 that were previously reported have been reclassified for comparative purposes.

(2) Legislative Changes

Pursuant to IC §20-49-7, the State Board of Education was authorized to advance funds to charter schools via the State's Common School Fund thereby allowing charter schools to finance operations for periods when adequate tuition support was not received. These cash advances were made to charter schools through executed loan agreements with repayment terms that are defined in the statute.

In April 2013, the Indiana General Assembly repealed IC §20-49-7 with the passing of House Bill 1001 and established an appropriation to forgive charter schools for cash advances previously made through the Common School Fund. The School obtained a loan in the amount of $3,594,503 in 2013, and subsequently repaid $599,084. The School applied for and was forgiven from repaying the balance of the remaining indebtedness plus accrued interest of $3,010,396 as of June 30, 2013. An allowance has been established against the School's related accounts receivable balance in the amount of the loan forgiven (See Note 3).

In the same session, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. As of June 30, 2013, total funding remaining due to the School was $6,859,281. Effective July 1, 2013, school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year.

INDIANA CONNECTIONS ACADEMY, INC.

Notes to Financial Statements

(2) Legislative Changes, Continued

The Indiana legislature has not yet addressed the remaining tuition support in the amount of $6,859,281 due to the School as of June 30, 2013. Members of the Indiana General Assembly have been informed that a number of charter schools remain with an accounts receivable balance and those charter schools believe that the State remains obligated for amounts not reimbursed through the provisions of House Bill 1001. Legislative efforts are being made to resolve any outstanding obligations of the State, with final resolution anticipated to occur by 2017. The School believes that these funds are owed and are realizable.

(3) Accounts Receivable

The School's accounts receivable balance consists primarily of amounts due from the State of Indiana for the operating periods in which State funding has not been received. As of June 30, 2013, the State forgave the remaining balance of the School's operating loan made through the Common School Fund. As the loan was provided to finance the School's operations when revenue was not received, the School has established an allowance against the accounts receivable balance in the amount forgiven.

Accounts receivable from the State of Indiana for education support reflect the following amounts as of June 30, 2014 and 2013:

	2014	2013
Tuition support	$ 6,267,272	6,267,272
Special education grant	592,009	592,009
	6,859,281	6,859,281
Less: allowance for Common School loan forgiven	(3,010,396)	(3,010,396)
	$ 3,848,885	3,848,885

(4) Retirement Plans

School personnel are eligible to participate in a 401(k) retirement plan sponsored by Connections Education, LLC. Under the plan, the School will match 100% of employee contributions up to 3% of compensation and 50% of employee contributions for the next 3% of compensation. The School may also make additional discretionary contributions. No discretionary contributions were made in 2014 and 2013. Retirement plan expense for the years ended June 30, 2014 and 2013 was $57,624 and $32,810, respectively.

INDIANA CONNECTIONS ACADEMY, INC.

Notes to Financial Statements

(5) Leases

The School leases its operating facilities as well as certain items of office equipment under operating leases for terms from three to four years. Expense under operating leases for the years ended June 30, 2014 and 2013 was $145,005 and $108,989, respectively. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year Ending June 30:	
2015	$151,883
2016	152,540
2017	154,978
2018	157,860
2019	13,175

(6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was $369,966 and $295,710 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

The School has contracted with Connections Academy of Indiana, LLC to provide instructional materials and services as well as administrative and technology services. As compensation for these services, the School negotiates a schedule of fees for services for each year of the term of agreement, which remains in effect until June 30, 2016. Such fees for the years ended June 30, 2014 and 2013 were as follows:

	2014	2013
Enrollment/unit based fees	$ 8,907,470	7,461,201
Revenue based fees	3,942,621	2,960,100
	12,850,091	10,421,301
Less: discretionary fee reduction	(1,393,500)	(1,689,500)
	$ 11,456,591	8,731,801

INDIANA CONNECTIONS ACADEMY, INC.

Notes to Financial Statements

(7) Risks and Uncertainties

The School provides educational instruction services in a virtual school environment to families residing in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at PNC Bank are insured up to the FDIC insurance limit.

INDIANA CONNECTIONS ACADEMY, INC.

Notes to Financial Statements

(8) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program services and management and general activities. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 4,577,586	-
Employee benefits	1,211,639	-
Professional services	172,946	267,359
Staff development and recruitment	220,231	5,709
Authorizer oversight fee	-	369,966
School administration and support services	2,051,961	1,037,565
Travel	56,715	-
Technology	2,427,124	-
Equipment	13,196	-
Classroom and office supplies and materials	5,654,525	-
Testing	206,882	-
Occupancy	145,805	-
Repairs and maintenance	9,529	-
Insurance	-	4,258
Depreciation	10,788	-
Other	18,571	126,099
	$16,777,498	1,810,956

INDIANA CONNECTIONS ACADEMY, INC.

Notes to Financial Statements

(8) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 3,719,117	-
Employee benefits	981,485	-
Professional services	177,180	268,793
Staff development and recruitment	123,783	7,419
Authorizer oversight fee	-	295,710
School administration and support services	1,436,235	432,886
Travel	57,601	-
Technology	2,136,601	-
Equipment	13,835	-
Classroom and office supplies and materials	4,517,574	-
Testing	191,271	-
Occupancy	101,641	-
Repairs and maintenance	1,523	-
Insurance	-	5,996
Depreciation	1,708	-
Interest	-	29,847
Other	31,337	55,795
	$13,490,891	1,096,446

INDIANA CONNECTIONS ACADEMY, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	14-9905	$ 415,986
Special Education Cluster			
Special Education - Grants to States	84.027	14214-557-PN01	395,237
	84.027A	99910-557-TA01	5,743
Improving Teacher Quality State Grants	84.367		68,575
Total federal awards expended			$ 885,541

INDIANA CONNECTIONS ACADEMY, INC.

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Indiana Connections Academy, Inc. (the "School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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*

The Board of Directors
Indiana Connections Academy, Inc.

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 **Indiana Connections Academy, Inc.** (the "School"), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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.

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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 deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 from 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 *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, IN
March 27, 2015

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Certified Public Accountants

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

The Board of Directors
Indiana Connections Academy, Inc.

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Indiana Connections Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

Indianapolis, IN
March 27, 2015

INDIANA CONNECTIONS ACADEMY, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified Opinion
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

INDIANA CONNECTIONS ACADEMY, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Special Education Cluster
84.027	Special Education – Grants to States
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	No

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.

INDIANA CONNECTIONS ACADEMY, INC.

Other Reports

Year Ended June 30, 2014

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Indiana Connections Academy, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

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Financial Audit Reports for Each Charter School

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Indiana Math and Science Academy – Indianapolis, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Indiana Math and Science Academy – Indianapolis, Inc.** (the "School"), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 entity'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 entity'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.

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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 Indiana Math and Science Academy - Indianapolis**,** Inc. as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2014 on our consideration of Indiana Math and Science Academy – Indianapolis, Inc.'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 Indiana Math and Science Academy – Indianapolis, Inc.'s internal control over financial reporting and compliance.

Indianapolis, IN
November 21, 2014

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 364,377	340,169
Grants receivable	72,255	63,488
Total current assets	436,632	403,657
Restricted cash	100,000	100,000
Property and equipment:		
Textbooks and library books	210,379	210,379
Leasehold improvements	437,297	394,191
Furniture and equipment	921,543	883,070
Less: accumulated depreciation	(1,047,973)	(841,886)
Property and equipment, net	521,246	645,754
	$ 1,057,878	1,149,411
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 346,458	224,676
Total current liabilities	346,458	224,676
Deferred rent payable	35,842	30,638
Total liabilities	382,300	255,314
Unrestricted net assets	675,578	894,097
	$ 1,057,878	1,149,411

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 4,072,461	3,428,594
Grant revenue	958,091	1,081,931
Student fees	97,048	55,466
Interest	460	590
Contributions	172	155
Other	13,925	20,380
Total revenue and support	5,142,157	4,587,116
Expenses		
Program services	3,931,235	3,658,754
Management and general	1,429,441	1,018,141
Total expenses	5,360,676	4,676,895
Decrease in net assets before non-operating revenue	(218,519)	(89,779)
Non-Operating Revenue		
Gain due to changes in legislative funding	-	699,492
Increase (decrease) in net assets	(218,519)	609,713
Net assets, beginning of year	894,097	284,384
Net assets, end of year	$ 675,578	894,097

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (218,519)	609,713
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	-	(699,492)
Depreciation	206,087	221,509
Change in:		
Grants receivable	(8,767)	202,259
Prepaid expenses	-	25,465
Accounts payable and accrued expenses	121,782	(128,084)
Deferred rent payable	5,204	15,612
Net cash provided by operating activities	105,787	246,982
Investing Activities		
Acquisition of property and equipment	(81,579)	(150,934)
Loans to affiliated entity, net of repayments	-	100,000
Net cash used by investing activities	(81,579)	(50,934)
Net increase in cash	24,208	196,048
Cash, beginning of year	340,169	144,121
Cash, end of year	$ 364,377	340,169

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Indiana Math and Science Academy – Indianapolis, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Restricted Cash

Under terms of the facility lease, the School is required to provide a letter of credit to the landlord in the event of default. To secure the letter of credit, the School has pledged a certificate of deposit.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Subsequent Events

The School evaluated subsequent events through November 21, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Textbooks and library books	5 years
Leasehold improvements.....	10 to 15 years
Furniture and equipment	3-5 years

Taxes on Income

Indiana Math and Science Academy – Indianapolis, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income, Continued

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

Deferred Rent Payable

The operating lease on the school facility contains a provision for future rent increases. In accordance with generally accepted accounting principles, the School records monthly rent expense equal to the total payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is reflected as deferred rent payable in the accompanying statement of financial position.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was suspended.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$2,109,144
Repayment of accrued interest on Common School Fund loans	304,645
	2,413,789
Elimination of School funding	(1,714,297)
	$ 699,492

(3) Leases

In 2007, the School executed a ten-year lease on a building used as its school facility under an operating lease agreement with Godby Redevelopment Company, LLC. The lease provides for monthly rental payments which increase annually over the term of the agreement. The School has the option to extend the lease for an additional five-year term. Under the lease, the School is also responsible for repairs, maintenance, and utilities.

The School also leases office equipment under operating leases which expire in 2016.

Total lease expense for the years ended June 30, 2014 and 2013 was $455,867 and $468,963, respectively. A schedule of minimum lease obligations as of June 30, 2014 follows:

Year Ended June 30:	
2015	$440,070
2016	448,159
2017	448,310

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(4) Retirement Plan

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. For the years ended June 30, 2014 and 2013, the School contributed 7.5% of compensation for teaching faculty to TRF. The contribution to PERF for other employees for the years ended June 30, 2014 and 2013 was 10.0% and 9.0%, respectively. Substantially all full-time employees are eligible to participate. Retirement plan expense was $164,181 and $158,519 for the years ended June 30, 2014 and 2013, respectively.

(5) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this agreement totaled $74,086 and $49,528 for the years ended June 30, 2014 and 2013, respectively. Effective July 1, 2014, the School changed its sponsor affiliation to the Mayor's Office of the City of Indianapolis. This charter agreement remains in effect until June 30, 2021. No annual administrative fees will be required.

The School has contracted with Concept Schools, Inc. to provide on-going training and consultation, personnel, recruitment and admissions, and other services. Under the terms of the agreement, the School has agreed to pay an amount equal to 10% of revenues, as defined, for such services. Payments under this agreement totaled $407,247 and $150,987 for the years ended June 30, 2014 and 2013, respectively. This agreement is renewable annually.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(6) Risks and Uncertainties

The School provides education services to families residing in Marion and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits are maintained at PNC Bank and BMO Harris Bank and are insured up to the FDIC insurance limit.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(7) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between programs and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$1,688,379	576,786
Employee benefits	454,380	178,345
Staff development and recruitment	51,878	-
Academic services	-	414,377
Authorizer's oversight fee	-	74,086
Food service	250,027	-
Transportation service	261,032	-
Other professional services	156,769	25,094
Textbooks	75,025	-
Classroom, kitchen and office supplies	101,556	41,239
Equipment rental and expense	78,093	-
Occupancy	551,431	-
Depreciation	206,087	-
Insurance	-	44,423
Advertising	-	27,190
Other	56,578	47,901
	$ 3,931,235	1,429,441

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(7) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$1,535,740	378,340
Employee benefits	423,412	105,194
Staff development and recruitment	50,419	-
Academic services	-	150,987
Authorizer's oversight fee	-	49,527
Food service	229,263	-
Transportation service	333,767	-
Other professional services	117,278	136,142
Textbooks	26,903	-
Classroom, kitchen and office supplies	88,169	36,925
Equipment rental and expense	67,640	-
Occupancy	539,734	-
Depreciation	221,509	-
Interest	-	84,366
Insurance	-	35,478
Advertising	-	12,815
Other	24,920	28,367
	$ 3,658,754	1,018,141

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		$ 65,388
National School Lunch Program	10.555		186,455
Total for cluster			251,843
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010		491,583
Special Education Cluster			
Special Education - Grants to States	84.027	14213-563-PN01	95,811
Improving Teacher Quality State Grants	84.367		65,935
Total for federal grantor agency			653,329
Total federal awards expended			$ 905,172

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Indiana Math and Science Academy – Indianapolis, Inc. ("the School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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*

The Board of Directors
Indiana Math and Science Academy – Indianapolis, Inc.

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 **Indiana Math and Science Academy – Indianapolis, Inc.** (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 21, 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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, IN
November 21, 2014

Fitzgerald | Isaac LLC
Certified Public Accountants

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

The Board of Directors
Indiana Math and Science Academy – Indianapolis, Inc.

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Indiana Math and Science Academy – Indianapolis, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

Indianapolis, IN
November 21, 2014

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditor's report issued on compliance for major program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I, Part A Cluster Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Other Reports

Year Ended June 30, 2014

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Indiana Math and Science Academy – Indianapolis, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Financial Audit Reports for Each Charter School

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Financial Statements

June 30, 2014 and 2013

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Muncie Public Charter School of Inquiry, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Muncie Public Charter School of Inquiry, Inc. d/b/a Inspire Academy**, which comprise of statements of financial position as of June 30, 2014 and 2013, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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 **Muncie Public Charter School of Inquiry, Inc.** as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
May 14, 2015

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 127,628	61,932
Grants receivable	1,334	3,750
Prepaid expense	19,500	21,813
Total current assets	148,462	87,495
Property and equipment:		
Furniture and equipment	126,298	2,449
Less: accumulated depreciation	(32,011)	(880)
Property and equipment, net	94,287	1,569
	$ 242,749	89,064
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 32,938	1,555
Note payable	-	100,000
Refundable advances	5,040	-
Total current liabilities	37,978	101,555
Net assets:		
Unrestricted	142,703	(12,491)
Temporarily restricted	62,068	-
Total net assets (deficiency)	204,771	(12,491)
	$ 242,749	89,064

Financial Audit Reports for Each Charter School

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Statements of Activities

	Year Ended June 30, 2014			Year Ended June 30, 2013		
Revenue and Support	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
State education support	$ 842,019	-	842,019	$ -	-	-
Grant revenue	370,088	250,000	620,088	81,862	-	81,862
Student fees	10,613	-	10,613	25	-	25
Contributions	9,215	-	9,215	7,950	-	7,950
Other income	3,107	-	3,107	194	-	194
Net assets released from restrictions	187,932	(187,932)	-	-	-	-
Total revenue and support	1,422,974	62,068	1,485,042	90,031	-	90,031
Expenses						
Program services	1,036,872	-	1,036,872	58,416	-	58,416
Management and general	230,908	-	230,908	44,555	-	44,555
Total expenses	1,267,780	-	1,267,780	102,971	-	102,971
Change in net assets	155,194	62,068	217,262	(12,940)	-	(12,940)
Net assets (deficiency), beginning of year	(12,491)	-	(12,491)	449	-	449
Net assets (deficiency), end of year	$ 142,703	62,068	204,771	$ (12,491)	-	(12,491)

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 217,262	(12,940)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	31,131	775
Change in:		
Accounts receivable	2,416	17,907
Prepaid expense	2,313	(20,246)
Accounts payable and accrued expenses	31,383	1,555
Refundable advances	5,040	-
Net cash provided (used) by operating activities	289,545	(12,949)
Investing Activities		
Acquisition of property and equipment	(123,849)	(1,500)
Net cash used by investing activities	(123,849)	(1,500)
Financing Activities		
Proceeds from note payable, net of repayments	(100,000)	75,000
Net cash provided (used) by financing activities	(100,000)	75,000
Net increase in cash	65,696	60,551
Cash, beginning of year	61,932	1,381
Cash, end of year	$ 127,628	61,932
Supplemental disclosures:		
Cash payments for interest expense	$ 2,650	243

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Muncie Public Charter School of Inquiry, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School serves students in grades kindergarten to fifth by providing an alternative to the traditional elementary school program. The School began operations with the 2013-14 academic school year.

Financial Statement Presentation

The School reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.

- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Taxes on Income

Muncie Public Charter School of Inquiry, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013 and 2012 are open to audit for both federal and state purposes.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives range from three to five years,

Subsequent Events

The School evaluated subsequent events through May 14, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Leases

The School leases its facility and certain items of office equipment under operating leases. The facility lease requires monthly payments over a 5-year term based on a rate of $10 per square foot of leased space (18,000 square feet as of June 30, 2014). Expense under these leases for the years ended June 30, 2014 and 2013 was $173,226 and $449, respectively. Future minimum obligations under non-cancellable operating leases are as follows:

Year Ending June 30:	
2015	$180,000
2016	180,000
2017	180,000
2018	180,000

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Notes to Financial Statements

(3) Note Payable

The School has a $300,000 revolving line-of-credit with Touch Consulting, Ltd. Drawings against the line of credit bear interest at a variable rate reflective of the lender's incremental borrowing rate (4% at June 30, 2014) and are secured by all School assets. There was no balance owing under the line of credit as of June 30, 2014 ($100,000 as of June 30, 2013).

(4) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014, the School had refundable grant advances in excess of expenditures of $5,040.

(5) Benefit Plans

The School contracts with a professional employer organization (PEO) to manage its human resource requirements. Under this contract, the School leases its employees from the PEO, and reimburses the PEO for all personnel costs, including salaries and benefits. All employees are eligible to participate in a 403(b) plan offered through the Indiana Public Charter School Association. Under this plan, the School contributes 7% of compensation as defined. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2014 or 2013. Teaching personnel have the option to participate in a retirement plan provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. For the year ended June 30, 2014, the School contributed 7.5% of compensation for all participating personnel to TRF. Retirement plan expense under all plans was $11,487 for the year ended June 30, 2014.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Notes to Financial Statements

(6) Restrictions on Assets

Temporarily restricted net assets as of June 20, 2014 totaling $62,068 relate to funds received from the Walton Family Foundation. The funds are to be used according to the approved budget for various program expenses. Grant related expenditures of $187,932 were incurred in 2014, resulting in temporarily restricted net assets being released from restrictions.

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was $7,059 for the year ended June 30, 2014. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in Delaware and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries, wages and employee benefits ...	$ 498,050	102,423
Professional services	73,580	73,880
Authorizer oversight fee	-	7,059
Staff development.....	79,943	-
Equipment	12,270	973
Classroom and office supplies.....	83,058	11,199
Connectivity	27,291	-
Occupancy	175,281	-
Food.....	55,703	-
Depreciation	31,131	-
Interest	-	2,650
Insurance	-	13,572
Other	565	19,152
	$1,036,872	230,908

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries, wages and employee benefits	$ -	17,973
Professional services	-	17,579
Authorizer oversight fee	-	-
Staff development	51,353	-
Equipment	1,540	-
Classroom and office supplies	-	1,939
Connectivity	1,742	-
Occupancy	449	-
Food	226	-
Depreciation	775	-
Interest	-	243
Insurance	-	2,723
Other	2,331	4,098
	$58,416	44,555

Financial Audit Reports for Each Charter School

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a
INSPIRE ACADEMY

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Muncie Public Charter School of Inquiry, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Neighbors' Educational Opportunities, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Neighbors' Educational Opportunities, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Neighbors' Educational Opportunities, Inc. as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
February 27, 2015

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 68,293	170,809
Grants receivable	76,661	6,535
Prepaid expenses	14,599	13,875
Total current assets	159,553	191,219
Property and equipment:		
Computers	31,134	-
Furniture and equipment	42,716	-
Less: accumulated depreciation	(14,964)	-
Total property and equipment, net	58,886	-
	$ 218,439	191,219
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 111,796	89,218
Current portion of capital lease obligation	14,411	11,648
Refundable advances	-	9,998
Total current liabilities	126,207	110,864
Capital lease obligation	-	13,921
Total liabilities	126,207	124,785
Unrestricted net assets	92,232	66,434
	$ 218,439	191,219

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 1,019,699	420,646
Grant revenue	534,135	1,017,750
Student fees	50,629	41,930
Contributions	12,683	9,845
Other income	17,764	16,121
Total revenue and support	1,634,910	1,506,292
Expenses		
Program services	1,203,953	1,305,850
Management and general	405,159	123,026
Total expenses	1,609,112	1,428,876
Increase in net assets	25,798	77,416
Net assets (deficiency), beginning of year	66,434	(10,982)
Net assets, end of year	$ 92,232	66,434

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Increase in net assets	$ 25,798	77,416
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	14,964	
Equipment expensed under capital lease	-	35,602
Change in:		
Grants receivable	(70,126)	66,356
Prepaid expenses	(724)	(13,875)
Accounts payable and accrued expenses	22,578	71,709
Refundable advances	(9,998)	4,027
Net cash provided (used) by operating activities	(17,508)	241,235
Investing Activities		
Purchase of property and equipment	(73,850)	-
Net cash used by investing activities	(73,850)	-
Financing Activities		
Proceeds from bank borrowings	-	100,000
Repayment of bank borrowings	-	(182,000)
Principal payments under capital lease obligation	(11,158)	(10,033)
Net cash used by financing activities	(11,158)	(92,033)
Net increase (decrease) in cash	(102,516)	149,202
Cash, beginning of year	170,809	21,607
Cash, end of year	$ 68,293	170,809
Supplemental disclosures:		
Cash payments for interest expense	$ 3,887	5,570

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Neighbors' Educational Opportunities, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School was incorporated on March 21, 2011 to operate an adult education program for residents of Porter and Lake Counties in Indiana. In 2012, the School was sponsored by Ball State University to operate a public charter high school for non-traditional students under Indiana Code 20-24. The charter school commenced operations with the 2012-13 academic year.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A significant portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Grants Receivable

Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases are charged to expense as incurred. Depreciation is provided over the estimated useful lives of the respective assets (generally three to five years) using the straight-line method.

Taxes on Income

Neighbors' Educational Opportunities, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions.

Subsequent Events

The School evaluated subsequent events through February 27, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

Reclassifications

Certain figures for 2013 that were previously reported have been reclassified for comparative purposes.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Notes to Financial Statements

(2) Leases

The School leases computer equipment under a capital lease. The lease provides that the School obtains ownership of the equipment at the end of the lease term. The computer equipment has been expensed in accordance with the School's capitalization policy. The lease is scheduled to be paid in full in 2015.

The School also leases its school facility as well as one item of office equipment under operating leases. The facility lease is for a one-year term with rent of $8,888 payable monthly. The equipment lease matures in December 2018. Expense under these operating leases for the years ended June 30, 2014 and 2013 was $114,243 and $86,034, respectively.

A schedule of future minimum obligations under non-cancelable operating leases with a remaining term in excess of one year as of June 30, 2014 follows:

Year Ending June 30:	
2015	$10,020
2016	10,020
2017	10,020
2018	10,020
2019	5,010

(3) Refundable Advances

The School has been awarded grants from various entities to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2013, the School had refundable grant advances in excess of expenditures of $9,998.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Notes to Financial Statements

(4) Commitments

The charter high school operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was $29,866 and $11,382 for the years ended June 30, 2014 and 2013, respectively. The charter will remain in effect until June 30, 2017 and is renewable thereafter by mutual consent.

(5) Risks and Uncertainties

The School provides educational instruction services to persons residing in Porter and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist of receivables from Center of Workforce Innovations, Inc. and the State of Indiana.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Notes to Financial Statements

(6) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 760,908	271,100
Employee benefits	114,465	40,782
Staff development	18,519	-
Authorizer oversight fees	-	29,866
Classroom supplies	46,315	-
Content	4,978	-
Occupancy	129,952	-
Contracted IT services	42,047	-
Office expense	28,162	14,107
Professional services	8,207	32,316
Travel	3,590	7,547
Equipment	29,297	-
Interest	-	3,887
Insurance	-	5,248
Depreciation	14,964	-
Other	2,549	306
	$1,203,953	405,159

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Notes to Financial Statements

(6) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 768,933	67,784
Employee benefits	147,658	13,016
Staff development	5,247	-
Authorizer oversight fees	-	11,382
Classroom supplies	53,715	-
Content	55,443	-
Occupancy	105,862	-
Contracted IT services	11,514	-
Office expense	9,229	14,504
Professional services	65,277	2,600
Travel	-	2,296
Equipment	80,322	-
Interest	-	5,570
Insurance	-	5,874
Other	2,650	-
	$1,305,850	123,026

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Neighbors' Educational Opportunities, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Financial Audit Reports for Each Charter School

THE NEW COMMUNITY SCHOOL, INC.

Financial Statements

June 30, 2014 and 2013

Financial Audit Reports for Each Charter School

THE NEW COMMUNITY SCHOOL, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The New Community School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The New Community School, Inc., which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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 New Community School, Inc.** as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
August 24, 2015

THE NEW COMMUNITY SCHOOL, INC.

Statements of Financial Position

Assets	June 30 2014	June 30 2013
Current assets:		
Cash	$ 3,469	6,583
Grants receivable	6,671	29,286
Prepaid rent	107,075	250,000
Total current assets	117,215	285,869
Cash restricted for facility improvements	45,389	212,130
Prepaid rent	-	107,075
Property and equipment:		
Land	764,600	764,600
Building	4,274,312	4,274,312
Building improvements	249,824	77,971
Furniture and equipment	440,143	266,713
Textbooks	23,232	23,232
Less: accumulated depreciation	(483,779)	(291,639)
Property and equipment, net	5,268,332	5,115,189
	$ 5,430,936	5,720,263
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 186,555	94,485
Note payable	198,184	197,623
Deferred rental income	6,990	-
Current portion of capital lease liability	131,023	159,337
Total current liabilities	522,752	451,445
Capital lease liability	4,960,682	5,091,705
Total liabilities	5,483,434	5,543,150
Unrestricted net assets (deficiency)	(52,498)	177,113
	$ 5,430,936	5,720,263

THE NEW COMMUNITY SCHOOL, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 1,344,273	1,248,549
Grant revenue	153,962	174,233
Student fees	43,126	49,581
Contributions	444,655	105,553
Interest income	191	502
Rental income	22,094	-
Other income	1,548	2,445
Total revenue and support	2,009,849	1,580,863
Expenses		
Program services	1,963,560	1,371,629
Management and general	275,900	355,308
Total expenses	2,239,460	1,726,937
Change in net assets before non-operating activity	(229,611)	(146,074)
Non-Operating Activity		
Loss due to changes in legislative funding	-	(8,326)
Change in net assets	(229,611)	(154,400)
Net assets, beginning of year	177,113	331,513
Net assets (deficiency), end of year	$ (52,498)	177,113

THE NEW COMMUNITY SCHOOL, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (229,611)	(154,400)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss due to changes in legislative funding	-	8,326
Depreciation	192,140	52,311
Change in:		
Accounts receivable	22,615	70,225
Prepaid expenses	250,000	47
Accounts payable and accrued expenses	92,070	(6,599)
Deferred rental income	6,990	-
Net cash provided (used) by operating activities	334,204	(30,090)
Investing Activities		
Purchases of property and equipment	(178,542)	(27,772)
Net cash used by investing activities	(178,542)	(27,772)
Financing Activities		
Principal reduction of capital lease liability	(159,337)	-
Net borrowings/repayments under line of credit	561	2,724
Net cash provided (used) by financing activities	(158,776)	2,724
Net decrease in cash	(3,114)	(55,138)
Cash, beginning of year	6,583	61,721
Cash, end of year	$ 3,469	6,583
Supplemental disclosures:		
Cash paid for interest expense	$ 12,575	14,812
Property acquired under capital lease	-	5,251,042
Property acquired with restricted cash reserve	166,741	-

THE NEW COMMUNITY SCHOOL, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

The New Community School, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School, located in Lafayette, Indiana, provides educational instruction to approximately 220 students in grades kindergarten through seven.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Restricted Cash

Cash restricted for facility improvements represents resources available from the debt service reserve associated with the building project. These resources are available for use in making improvements to the school facility.

THE NEW COMMUNITY SCHOOL, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable relate primarily to activities funded under grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Taxes on Income

The New Community School, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2011 are open to audit for both federal and state purposes.

THE NEW COMMUNITY SCHOOL, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building	30 years
Building improvements	5 years
Furniture and equipment	3 to 5 years
Textbooks	4 years

Subsequent Events

The School evaluated subsequent events through August 24, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

THE NEW COMMUNITY SCHOOL, INC.

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a loss due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$ 549,621
Repayment of accrued interest on Common School Fund loans	66,809
	616,430
Elimination of School funding	(624,756)
	$ (8,326)

(3) Prepaid Rent

In 2012, the School committed to the construction of a building to become the school facility. Subsequent to June 30, 2012, the School executed an agreement with NCS Properties LLC ("Landlord"), whereby Landlord would assume the responsibility for construction in exchange for a lease commitment from the School. To facilitate the construction and lease, the School obtained funding through a Qualified School Construction Bond authorized by the American Recovery & Reinvestment Act. Under the agreement, the School will pay rent on the facility in the amount of approximately $250,000 per year for 18 years. At the end of the lease term, the School has an option to purchase the building for $1. The lease commenced on July 1, 2013 when the School took possession of the building.

The School incurred preliminary costs associated with the building construction, including architectural and design work, earnest money, legal services, and certain construction costs. Landlord assumed the construction project and agreed to allow an offset of these costs against the rental obligation once the building was completed. These preliminary costs are recorded as prepaid rent in the accompanying statement of financial position. As of June 30, 2014 and 2013, the balances of prepaid rent were $107,075 and $357,075, respectively.

THE NEW COMMUNITY SCHOOL, INC.

Notes to Financial Statements

(4) Notes Payable

The School has a $200,000 line-of-credit with Regions Bank. The line of credit is due on demand and matures on March 26, 2015. Interest under the line-of-credit is payable at 2.3% above the lender's prime rate, but will not be less than 4.75%. The line-of-credit is secured by all inventory, accounts, equipment, general intangibles and fixtures. As of June 30, 2014 and 2013, the balances outstanding under the line of credit were $198,184 and $197,623, respectively.

(5) Leases

In the year ended June 30, 2013, the School leased its facilities under operating leases, whose terms ranged from 44 to 60 months. Under the leases, the School was responsible for monthly rental payments, which escalated each year, as well as its share of utilities and insurance. Rent expense for the year ended June 30, 2013 was $162,676. The School had the right to terminate each of the leases in the event that the School acquired another facility. As a result of the construction of a new facility (see Note 3), the School terminated those leases effective June 30, 2013.

The School entered into an agreement with NCS Properties LLC to lease a building under a capital lease effective July 1, 2013. The lease requires monthly rental payments of $49,283, which are to be subsidized by the federal government in the amount of $28,450 per month. The rental obligation is subject to increase in the event of an increase in market interest rates. At June 30, 2014, the recorded cost and accumulated depreciation relating to the building was recorded at $5,038,912 and $142,777, respectively.

Following is a schedule of future minimum lease payments under the capital lease and the present value of net minimum lease payments as of June 30, 2014:

Year Ended June 30:	
2015	$ 591,400
2016	591,400
2017	591,400
2018	591,400
2019	591,400
Thereafter	7,096,800
Total minimum lease payments	10,053,800
Less: amount representing interest	(4,962,095)
	$5,091,705

THE NEW COMMUNITY SCHOOL, INC.

Notes to Financial Statements

(6) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. INPRS acts as a common administrative and investment agent for units of state and local government in Indiana. Contribution requirements are determined by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 8.0% of compensation for other employees to PERF. Substantially all full-time employees are eligible to participate. Retirement plan expense was $81,594 and $85,933 for the years ended June 30, 2014 and 2013, respectively.

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was $27,837 and $16,982 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in Tippecanoe and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the receivable balance was due from the State of Indiana.

THE NEW COMMUNITY SCHOOL, INC.

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and/or service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 810,907	104,379
Employee benefits	257,039	28,260
Staff development	12,595	-
Professional services	75,523	41,080
Authorizer oversight fee	-	27,837
Food costs	6,372	-
Repairs and Maintenance	31,690	-
Equipment rental	7,796	-
Classroom, kitchen and office supplies	42,967	23,959
Occupancy	98,125	-
Depreciation	192,140	-
Interest	428,207	12,575
Insurance	-	21,126
Other	199	16,684
	$1,963,560	275,900

THE NEW COMMUNITY SCHOOL, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 784,331	159,714
Employee benefits	242,730	49,748
Staff development	9,964	-
Professional services	22,408	38,472
Authorizer oversight fee	-	16,982
Food costs	400	-
Repairs and Maintenance	20,636	-
Equipment	8,407	-
Classroom, kitchen and office supplies	32,763	16,970
Occupancy	197,404	-
Depreciation	52,311	-
Interest	-	39,152
Insurance	-	16,180
Other	275	18,090
	$1,371,629	355,308

(13) Contingency

To enable the construction of a new school facility, the School obtained funding by means of a bond offering by the Indiana Finance Authority under the federal Qualified School Construction Bond program. The bonds were purchased by Keystone NCS LLC via a loan from Salin Bank and Trust Company. The School executed an agreement with NCS Properties LLC whereby NCS Properties LLC would construct the facility and lease it to the School (see Note 5). The School provided construction financing to NCS Properties LLC with proceeds from the bond offering. Keystone NCS LLC and NCS Properties LLC are related entities.

NCS Properties LLC has assigned its rights to the lease payments to Salin Bank and Trust Company for the benefit of Keystone NCS LLC. Such lease payments are intended to fulfill the School's obligation under the bond offering. In the event that the lease is terminated for any reason, the School will continue to be liable to Keystone NCS LLC for the bond debt. As of June 30, 2014, the unpaid bond obligation approximated $3,500,000.

Financial Audit Reports for Each Charter School

THE NEW COMMUNITY SCHOOL, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of The New Community School, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

Financial Audit Reports for Each Charter School

OPTIONS CHARTER SCHOOL - CARMEL, INC.

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Options Charter School – Carmel, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Options Charter School – Carmel, Inc.**, which comprise of statements of financial position as of June 30, 2014 and 2013, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Options Charter School – Carmel, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
September 29, 2014

OPTIONS CHARTER SCHOOL - CARMEL, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 92,076	13,340
Accounts receivable:		
Grants	-	8,123
Other	862	-
Prepaid expense	-	13,308
Total current assets	92,938	34,771
Property and equipment:		
Leasehold improvements	49,121	49,121
Furniture and equipment	467,816	451,250
Less: accumulated depreciation	(494,433)	(471,853)
Property and equipment, net	22,504	28,518
	$ 115,442	63,289
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 78,269	100,673
Due to Options Charter School - Noblesville	16,904	6,428
Note payable	-	28,500
Refundable advances	260	5,564
Total current liabilities	95,433	141,165
Unrestricted net assets (deficiency)	20,009	(77,876)
	$ 115,442	63,289

OPTIONS CHARTER SCHOOL - CARMEL, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 1,140,693	1,010,695
Grant revenue	91,284	116,735
Student fees	8,281	12,598
Other income	149	1,940
Total revenue and support	1,240,407	1,141,968
Expenses		
Educational instruction	713,173	945,059
Management and general	429,349	247,341
Total expenses	1,142,522	1,192,400
Change in net assets before non-operating expense	97,885	(50,432)
Non-Operating Expense		
Loss due to changes in legislative funding	-	(373,700)
Change in net assets	97,885	(424,132)
Net assets (deficiency), beginning of year	(77,876)	346,256
Net assets (deficiency), end of year	$ 20,009	(77,876)

OPTIONS CHARTER SCHOOL - CARMEL, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 97,885	(424,132)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss due to changes in legislative funding	-	373,700
Depreciation	22,580	25,077
Change in:		
Accounts receivable	7,261	(9,997)
Prepaid expense	13,308	(13,308)
Accounts payable and accrued expenses	(11,928)	12,927
Refundable advances	(5,304)	1,123
Net cash provided (used) by operating activities	123,802	(34,610)
Investing Activities		
Acquisition of property and equipment	(16,566)	-
Net cash used by investing activities	(16,566)	-
Financing Activities		
Proceeds from note payable, net of repayments	(28,500)	28,500
Net cash provided (used) by financing activities	(28,500)	28,500
Net increase (decrease) in cash	78,736	(6,110)
Cash, beginning of year	13,340	19,450
Cash, end of year	$ 92,076	13,340
Supplemental disclosures:		
Cash payments for interest expense	$ 1,289	1,696

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Options Charter School – Carmel, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School serves students in grades nine to twelve by providing an alternative to the traditional high school program.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of cost and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Options Charter School – Carmel, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $500 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	3 years
Furniture and equipment	3 to 7 years

Subsequent Events

The School evaluated subsequent events through September 29, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Notes to Financial Statements

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was suspended.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statements of activities as a loss due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	$115,755
Repayment of accrued interest on Common School Fund loans....	14,955
	130,710
Suspension of School funding.....	(504,410)
	$(373,700)

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Notes to Financial Statements

(3) Note Payable

The School has a $75,000 revolving line-of-credit with First Merchants Bank. Drawings against the line of credit bear interest at 2.5% above the lender's prime rate (5.75% at June 30, 2014) and are secured by all School assets. There was no balance owing under the line of credits as of June 30, 2014 ($28,500 as of June 30, 2013).

(4) Leases

The School leases its facility and certain items of office equipment under operating leases. The facility lease requires monthly payments over a 12-year term and provides that the School pay for the costs of its improvements as well as its proportionate share of real estate taxes and operating expenses. The School also pays to Options Charter School – Noblesville, Inc. $2,750 per month relating to its share of the rent on the administrative offices. Expense under these leases for the years ended June 30, 2014 and 2013 was $228,218 and $203,583. Future minimum lease obligations are as follows:

Year Ending June 30:	
2015	$154,796
2016	158,988
2017	163,325
2018	164,545
2019	165,922
Thereafter	289,415

(5) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014 and 2013, the School had refundable grant advances in excess of expenditures of $260 and $5,564, respectively.

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Notes to Financial Statements

(6) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Employees can elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. Under the plans, the School contributes 10.5% of compensation for electing teaching faculty to TRF, 14.2% of compensation for other electing employees to PERF, and 10.5% of compensation for electing personnel to the 403(b) plan. Substantially all full-time employees are eligible to participate. Retirement plan expense under all plans was $67,352 and $77,885 for the years ended June 30, 2014 and 2013, respectively.

(7) Related Party

The School is related to Options Charter School – Noblesville, Inc. in that they have a common board of directors. The schools advance amounts to each other as needed to meet cash flow requirements. The net balance owing to Options Charter School – Noblesville, Inc. as of June 30, 2014 and 2013 was $16,904 and $6,428, respectively. The School is also contingently liable as a guarantor with respect to a $75,000 line-of-credit maintained by Options Charter School – Noblesville, Inc. At June 30, 2014, there was no balance owing under the line-of-credit.

(8) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was $22,685 and $11,880 for the years ended June 30, 2014 and 2013. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Notes to Financial Statements

(9) Risks and Uncertainties

The School provides educational instruction services to families residing in Hamilton and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

(10) Functional Expense Reporting

The costs of providing educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Educational Instruction	Management and General
Salaries, wages and employee benefits	$423,165	332,787
Professional services	8,467	10,542
Authorizer oversight fee	-	22,685
Transportation	610	480
Equipment	13,631	-
Classroom and office supplies	16,418	12,912
Occupancy	223,987	29,823
Depreciation	19,926	2,654
Interest	-	1,289
Insurance	-	9,439
Other	6,969	6,738
	$713,173	429,349

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	2013	
	Educational Instruction	Management and General
Salaries, wages and employee benefits ...	$ 649,172	164,616
Professional services	3,493	8,586
Authorizer oversight fee	-	11,880
Transportation	1,651	458
Equipment	17,801	-
Classroom and office supplies.....	32,203	8,937
Occupancy	192,301	25,604
Depreciation	22,131	2,947
Interest	-	6,326
Insurance	-	13,321
Other	26,307	4,666
	$ 945,059	247,341

OPTIONS CHARTER SCHOOL – CARMEL, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Options Charter School – Carmel, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Financial Audit Reports for Each Charter School

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

Financial Audit Reports for Each Charter School

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Options Charter School – Noblesville, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Options Charter School – Noblesville, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Options Charter School – Noblesville, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
September 29, 2014

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 131,826	37,578
Accounts receivable:		
Grants	8,958	22,072
Due from Options Charter School - Carmel	16,904	6,428
Total current assets	157,688	66,078
Furniture and equipment	554,865	505,882
Less: accumulated depreciation	(460,435)	(421,456)
Furniture and equipment, net	94,430	84,426
	$ 252,118	150,504
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 93,249	96,788
Note payable	-	44,800
Current portion of capital lease obligation	-	21,517
Refundable advances	-	141
Total current liabilities	93,249	163,246
Unrestricted net assets (deficiency)	158,869	(12,742)
	$ 252,118	150,504

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 1,230,781	1,061,158
Grant revenue	286,511	279,842
Student fees	7,711	9,892
Other income	33,560	40,679
Total revenue and support	1,558,563	1,391,571
Expenses		
Educational instruction	845,401	1,061,330
Management and general	541,551	338,524
Total expenses	1,386,952	1,399,854
Change in net assets before non-operating expense	171,611	(8,283)
Non-Operating Expense		
Loss due to changes in legislative funding	-	(66,007)
Change in net assets	171,611	(74,290)
Net assets, beginning of year	(12,742)	61,548
Net assets (deficiency), end of year	$ 158,869	(12,742)

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 171,611	(74,290)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss due to changes in legislative funding	-	66,007
Depreciation	38,979	43,527
Change in:		
Accounts receivable	2,638	(20,860)
Accounts payable and accrued expenses	(3,539)	5,739
Refundable advances	(141)	(24,547)
Net cash provided (used) by operating activities	209,548	(4,424)
Investing Activities		
Purchases of furniture and equipment	(48,983)	(4,397)
Net cash used by investing activities	(48,983)	(4,397)
Financing Activities		
Principal payments on capital lease obligations	(21,517)	(19,268)
Principal payments on note payable	(49,300)	-
Proceeds from note payable	4,500	29,800
Net cash provided (used) by financing activities	(66,317)	10,532
Net increase in cash	94,248	1,711
Cash, beginning of year	37,578	35,867
Cash, end of year	$ 131,826	37,578
Supplemental disclosures:		
Cash payments for interest expense	$ 4,540	6,959

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Options Charter School – Noblesville, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School serves students in grades nine to twelve by providing an alternative to the traditional high school program.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of cost and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Options Charter School – Noblesville, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012 and 2011 are open to audit for both federal and state purposes.

Furniture and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and asset purchases with a unit cost of less than $500 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives for furniture and equipment range from 3 to 7 years.

Subsequent Events

The School evaluated subsequent events through September 29, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was suspended.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statements of activities as a loss due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	$398,960
Repayment of accrued interest on Common School Fund loans....	65,021
	463,981
Suspension of School funding.....	(529,988)
	$ (66,007)

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(3) Note Payable

The School has a $75,000 revolving line-of-credit with First Merchants Bank. Drawings against the line-of-credit bear interest at 2.5% above the lender's prime rate (5.75% at June 30, 2014) and are secured by all School assets. There was no balance owing under the line of credit as of June 30, 2014 ($44,800 as of June 30, 2013).

(4) Leases

The School leases its school facility, administrative offices and storage space, and certain office equipment under multi-year operating leases. The School is also responsible for utilities and insurance relating to the real estate leases. Options Charter School – Carmel, Inc. reimburses the School at the rate of $2,750 per month for its share of expense relating to the administrative offices. Expense under these leases for the years ended June 30, 2014 and 2013 was $244,933 and $267,055, respectively. Future minimum obligations under these leases are as follows:

Year Ending June 30:	
2015	$ 224,640
2016	229,200
2017	233,844
2018	234,732

The School also leased computer equipment under a capital lease agreement with LEAF Capital Funding, LLC. At June 30, 2014 the cost and accumulated depreciation related to these assets were $40,785 and $16,314, respectively. The remaining obligation under this lease was paid in 2014.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(5) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Employees can elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. Under the plans, the School contributes 10.5% of compensation for electing teaching faculty to TRF, 14.2% of compensation for other electing employees to PERF, and 10.5% of compensation for electing personnel to the 403(b) plan. Substantially all full-time employees are eligible to participate. Retirement plan expense for the years ended June 30, 2014 and 2013 was $81,323 and $71,596, respectively.

(6) Related Party

The School is related to Options Charter School – Carmel, Inc. in that they have a common board of directors. The schools advance amounts to each other as needed to meet cash flow requirements. The net balance due from Options Charter School – Carmel, Inc. as of June 30, 2014 and 2013 was $16,904 and $6,428, respectively. The School is also contingently liable as a guarantor with respect to a $75,000 line-of-credit maintained by Options Charter School – Carmel, Inc. At June 30, 2014, there was no balance owing under the line-of-credit.

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was $22,822 and $11,918 for the years ended June 30, 2014 and 2013. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in Hamilton and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentration of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the grants receivable balance was due from the State of Indiana.

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Educational Instruction	Management and General
Salaries, wages and employee benefits ...	$496,736	416,953
Professional services	31,540	18,309
Authorizer oversight fee	-	22,822
Transportation	1,842	1,546
Equipment	14,186	-
Classroom and office supplies.....	17,581	14,758
Occupancy	241,516	40,629
Depreciation	33,366	5,613
Interest	-	4,540
Insurance	-	9,439
Other	8,634	6,942
	$845,401	541,551

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013	
	Educational Instruction	Management and General
Salaries, wages and employee benefits ...	$ 663,665	220,635
Professional services	13,009	8,794
Authorizer oversight fee	-	11,918
Transportation	3,956	1,315
Equipment	31,134	-
Classroom and office supplies.....	27,549	9,159
Occupancy	268,422	35,739
Depreciation	38,413	5,114
Interest	-	22,917
Insurance	-	18,005
Other	15,182	4,928
	$1,061,330	338,524

OPTIONS CHARTER SCHOOL – NOBLESVILLE, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Options Charter School – Noblesville, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Financial Audit Reports for Each Charter School

RENAISSANCE ACADEMY, INC.

Financial Statements

June 30, 2014 and 2013

RENAISSANCE ACADEMY, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Renaissance Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Renaissance Academy, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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 **Renaissance Academy, Inc.** as of June 30, 2014 and 2013 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
July 28, 2015

RENAISSANCE ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 254,063	608,001
Accounts receivable:		
Grants	32,603	74,349
Other, net	17,026	53,289
Total current assets	303,692	735,639
Property and equipment:		
Land	298,630	95,880
Leasehold improvements	638,524	638,524
Furniture and equipment	109,081	82,447
Vehicles	26,154	21,654
Textbooks	26,698	26,698
Construction in progress	357,510	-
Less: accumulated depreciation	(360,130)	(299,725)
Property and equipment, net	1,096,467	565,478
	$ 1,400,159	1,301,117
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 91,703	51,858
Current portion of long-term debt	39,192	38,428
Refundable advances	-	7,876
Deferred revenue	64,791	38,580
Total current liabilities	195,686	136,742
Long-term debt	188,736	227,862
Total liabilities	384,422	364,604
Unrestricted net assets	1,015,737	936,513
	$ 1,400,159	1,301,117

RENAISSANCE ACADEMY, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 1,276,255	1,121,025
Grant revenue	83,973	183,016
Student fees	164,537	194,130
Fundraising	45,699	24,608
Contributions	255	628
Other income	24,458	17,290
Total revenue and support	1,595,177	1,540,697
Expenses		
Program services	988,816	939,505
Management and general	527,137	436,445
Total expenses	1,515,953	1,375,950
Change in net assets before non-operating revenue	79,224	164,747
Non-Operating Revenue		
Gain due to changes in legislative funding	-	101,789
Increase in net assets	79,224	266,536
Net assets, beginning of year	936,513	669,977
Net assets, end of year	$ 1,015,737	936,513

RENAISSANCE ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Increase in net assets	$ 79,224	266,536
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain due to changes in legislative funding	-	(101,789)
Depreciation	60,405	56,185
Change in:		
Accounts receivable	78,009	(122,802)
Accounts payable and accrued expenses	39,845	2,898
Refundable advances	(7,876)	7,876
Deferred revenue	26,211	(8,308)
Net cash provided by operating activities	275,818	100,596
Investing Activities		
Purchases of property and equipment	(591,394)	(79,897)
Net cash used by investing activities	(591,394)	(79,897)
Financing Activities		
Principal repayments of long-term debt	(38,362)	(37,668)
Net cash used by financing activities	(38,362)	(37,668)
Net decrease in cash	(353,938)	(16,969)
Cash and cash equivalents, beginning of year	608,001	624,970
Cash and cash equivalents, end of year	$ 254,063	608,001
Supplemental disclosures:		
Cash payments for interest expense	$ 4,541	5,235

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Renaissance Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School also provides an early childhood education program for children ages three and four on a fee basis.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Program and activity fees are paid by families based on the number of children enrolled in the activities selected, and are recognized in the year to which the payments pertain.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary with regard to such receivables. Other receivables are reviewed for collectability on an annual basis. The accompanying statements of financial position reflect allowances for doubtful accounts of $64,000 and $72,000 as of June 30, 2014 and 2013, respectively.

Deferred Revenue

Deferred revenue consists of enrollment fees and materials and supplies fees received as part of the enrollment process for the subsequent academic school year.

Taxes on Income

Renaissance Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2011 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through July 28, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required. See Note 7 for information regarding subsequent events.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements	5 to 15 years
Furniture and equipment	3 to 7 years
Vehicles	5 years
Textbooks	3 years

Reclassifications

Certain figures for 2013 that were previously reported have been reclassified for comparative purposes.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in equal monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments have been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$ 577,706
Repayment of accrued interest on Common School Fund loans	84,596
	662,302
Elimination of school funding	(560,513)
	$ 101,789

(3) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 consists of a note with 1st Source Bank. The note is payable in monthly installments of $3,575, including interest at 1.8% per annum, through January 2020. The note, obtained through the issuance of Qualified School Construction Bonds by the Indiana Finance Authority, is secured by assets purchased with the loan proceeds and guaranteed by the school facility landlord (see Note 4).

Principal maturities under the loan agreement are as follows:

Year Ending June 30:	
2015	$ 39,192
2016	39,836
2017	40,559
2018	41,295
Thereafter	25,002
	$ 227,928

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(4) Leases

The School leases its school building from V&K, LLC under a 5-year lease that ends June 30, 2017. The lease is accounted for as an operating lease. V&K, LLC is owned by Kieran McHugh and Vicki McHugh, both of whom are employees of the School. Under the lease agreement, the School is responsible for all utilities and insurance on the contents. Expense under this lease for the years ended June 30, 2014 and 2013 was $117,072 and $129,275. The lease expense is scheduled to increase by the rate of inflation reported by the U.S. Bureau of Labor Statistics. Future minimum lease obligations are as follows:

Year Ending June 30:	
2015	$97,260
2016	97,260
2017	97,260

(5) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. INPRS acts as a common administrative and investment agent for units of state and local government in Indiana. Contribution requirements of plan members are determined by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for teaching faculty to TRF. The contribution to PERF for other employees was 8.75% of compensation until December 31, 2013 and 10.25% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was $50,701and $51,504 for the years ended June 30, 2014 and 2013, respectively.

(6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. Expense under this charter agreement was $29,473 and $15,610 for the years ended June 30, 2014 and 2013. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(7) Subsequent Events

In 2014, the School acquired land and began construction of a building designed to contain additional space for educational instruction. The cost of the project is expected to approximate $1,375,000, to be funded by internal resources and a bank loan in the amount of $550,000. The project is to be completed in fiscal year 2015.

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in LaPorte and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, substantially all of the accounts receivable balance was due from the State of Indiana. All cash deposits are maintained at 1st Source Bank and are insured up to the FDIC insurance up to the legal limit.

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$462,885	273,443
Employee benefits	135,809	88,983
Professional services	24,861	17,010
Staff development and recruitment	20,003	-
Authorizer oversight fee	-	29,473
Transportation	490	-
Food costs	25,074	-
Classroom, kitchen and office supplies	23,773	13,324
Field trips and events	55,450	-
Travel	-	182
Bad debt	-	34,157
Occupancy	155,921	-
Repairs and maintenance	24,045	-
Depreciation	60,405	-
Interest	-	4,541
Insurance	-	20,201
Other	100	45,823
	$988,816	527,137

RENAISSANCE ACADEMY, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$453,055	213,571
Employee benefits	133,829	77,016
Professional services	21,797	14,961
Staff development and recruitment	9,595	-
Authorizer oversight fee	-	15,610
Transportation	271	-
Food costs	11,089	-
Classroom, kitchen and office supplies	39,887	12,634
Field trips and events	45,385	-
Travel	-	301
Bad debt	-	-
Occupancy	153,919	33,131
Repairs and maintenance	12,858	-
Depreciation	56,185	-
Interest	-	28.343
Insurance	-	15,395
Other	1,635	25,483
	$939,505	436,445

Financial Audit Reports for Each Charter School

RENAISSANCE ACADEMY, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Renaissance Academy, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

ROCK CREEK COMMUNITY ACADEMY, INC.

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

Financial Audit Reports for Each Charter School

ROCK CREEK COMMUNITY ACADEMY, INC.

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rock Creek Community Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Rock Creek Community Academy, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Rock Creek Community Academy, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
December 11, 2014

ROCK CREEK COMMUNITY ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 378,723	518,589
Grants receivable	101,633	-
Prepaid expenses	29,180	3,470
Total current assets	509,536	522,059
Security deposits	15,775	11,185
Property and equipment:		
Textbooks	294,670	224,037
Leasehold improvements	527,043	399,224
Furniture and equipment	480,135	425,476
Less: accumulated depreciation	(567,899)	(323,214)
Property and equipment, net	733,949	725,523
	$ 1,259,260	1,258,767
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 208,114	214,437
Current portion of long-term debt	31,218	28,267
Deferred revenue	136,573	114,999
Refundable advances	10,000	-
Total current liabilities	385,905	357,703
Long-term debt	53,045	84,283
Total liabilities	438,950	441,986
Net assets:		
Unrestricted	801,680	793,091
Temporarily restricted	18,630	23,690
	820,310	816,781
	$ 1,259,260	1,258,767

Financial Audit Reports for Each Charter School

ROCK CREEK COMMUNITY ACADEMY, INC.

Statements of Activities

	Year Ended June 30, 2014			Year Ended June 30, 2013		
Revenue and Support	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
State education support	$ 2,714,709	-	2,714,709	$ 2,380,110	-	2,380,110
Grant revenue	343,205	-	343,205	517,236	-	517,236
Student fees	235,673	20,982	256,655	176,082	69,301	245,383
Contributions	9,335	7,400	16,735	15,953	9,272	25,225
Fundraising	41,745	41,430	83,175	53,154	31,048	84,202
Net assets released from restrictions	74,872	(74,872)	-	85,931	(85,931)	-
Total revenue and support	3,419,539	(5,060)	3,414,479	3,228,466	23,690	3,252,156
Expenses						
Program services	2,910,705	-	2,910,705	2,584,283	-	2,584,283
Management and general	500,245	-	500,245	488,423	-	488,423
Total expenses	3,410,950	-	3,410,950	3,072,706	-	3,072,706
Change in net assets before non-operating expense	8,589	(5,060)	3,529	155,760	23,690	179,450
Non-Operating Expense						
Loss due to changes in legislative funding	-	-	-	(20,221)	-	(20,221)
Increase (decrease) in net assets	8,589	(5,060)	3,529	135,539	23,690	159,229
Net assets, beginning of year	793,091	23,690	816,781	657,552	-	657,552
Net assets, end of year	$ 801,680	18,630	820,310	$ 793,091	23,690	816,781

ROCK CREEK COMMUNITY ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 3,529	159,229
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Loss due to changes in legislative funding	-	20,221
Depreciation	244,686	180,888
Change in:		
Grants receivable	(101,633)	61,105
Prepaid expenses	(25,710)	12,319
Security deposits	(4,590)	-
Accounts payable and accrued expenses	(6,324)	(134,010)
Deferred revenue	21,574	9,499
Refundable advances	10,000	-
Net cash provided by operating activities	141,532	309,251
Investing Activities		
Purchase of property and equipment	(253,111)	(308,431)
Net cash used by investing activities	(253,111)	(308,431)
Financing Activities		
Principal repayments of long-term debt	(28,287)	(25,584)
Net cash used by financing activities	(28,287)	(25,584)
Net decrease in cash	(139,866)	(24,764)
Cash, beginning of year	518,589	543,353
Cash, end of year	$ 378,723	518,589
Supplementary information:		
Cash payments for interest expense	$ 10,373	12,775

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Rock Creek Community Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Financial Statement Presentation

The School reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.

- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Contributions and Fees

The School receives resources from participation fees and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Textbooks	5 years
Leasehold improvements.....	5 to 8 years
Furniture and equipment	3 to 5 years

Deferred Revenue

Deferred revenue consists of student fees and textbook rentals received as part of the enrollment process for the subsequent academic school year.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Rock Creek Community Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

Subsequent Events

The School evaluated subsequent events through December 11, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

Reclassifications

Certain figures for 2013 that were previously reported have been reclassified for comparative purposes.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a loss due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	$1,082,951
Repayment of accrued interest on Common School Fund loans.....	87,311
	1,170,262
Elimination of School funding	(1,190,483)
	$ (20,221)

(3) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014, the School had refundable grant advances in excess of expenditures of $10,000.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(4) Long-Term Debt

Long-term debt as of June 30, 2014 and 2013 was comprised of a note payable to Mobilease
Modular Space, Inc. This note represents an obligation for site improvements relating to the installation of modular classrooms. The note is payable in monthly installments of $3,185, including interest at 10% per annum, through December 2016.

Principal maturities under this loan agreement are as follows:

Year Ended June 30:	
2015	$31,218
2016	34,478
2017	18,567
	$ 84,263

(5) Leases

The School leases its school facility, modular classrooms, and items of equipment under operating leases. Under the facility lease, the School is also responsible for repairs, maintenance, and utilities. Total expense under these operating leases for 2014 and 2013 was $272,655 and $221,294, respectively. Minimum future rental payments as of June 30, 2014 for all operating leases with initial, noncancellable lease terms in excess of one year are as follows:

Year ending June 30:	
2015	$267,248
2016	141,240
2017	83,800
2018	55,080

(6) Retirement Plan

The School maintains a Section 403(b) retirement plan with Mass Mutual Financial Group for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the School contributes 7.5% of each participant's compensation for the plan year. Retirement plan expense for the years ended June 30, 2014 and 2013 was $106,706 and $100,045, respectively.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. The charter remains in effect until June 30, 2015, and is renewable thereafter by mutual consent. Payments under this charter agreement were $63,364 and $31,658 for the years ended June 30, 2014 and 2013, respectively.

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in Clark and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, substantially all of the accounts receivable balance was due from the State of Indiana. Cash deposits are maintained at New Washington State Bank and normally exceed the FDIC insurance limit.

(9) Accounting Correction

In 2014, it was determined that certain participant fees and revenue from fundraising events contained the characteristics of temporarily restricted net assets. These resources were provided with the intent that they be used for the specific school activity designated by the donor. This correction in accounting has been made by restating the financial statements for 2013 to reflect the classification of such assets as temporarily restricted. The correction had no effect on total net assets or the change in total net assets for 2013.

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(10) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between programs and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 1,356,669	245,618
Employee benefits	332,636	55,347
Professional fees	279,183	70,700
Staff development and recruitment	7,937	-
Authorizer oversight fee	-	63,364
Food costs	42,765	-
Equipment	33,703	-
Repairs and maintenance	47,885	-
Classroom, kitchen and office supplies	136,604	11,284
Occupancy	314,027	-
Depreciation	244,686	-
Field trips	59,814	-
Interest	-	10,373
Insurance	-	25,315
Other	54,796	18,244
	$ 2,910,705	500,245

ROCK CREEK COMMUNITY ACADEMY, INC.

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$ 1,232,027	209,008
Employee benefits	299,935	51,107
Professional fees	270,753	81,852
Staff development and recruitment	20,180	237
Authorizer oversight fee	-	31,658
Food costs	45,082	-
Equipment	23,751	-
Repairs and maintenance	35,702	-
Classroom, kitchen and office supplies	141,241	13,688
Occupancy	255,788	-
Depreciation	180,888	-
Field trips	64,639	-
Interest	-	56,093
Insurance	-	22,975
Other	14,297	21,805
	$ 2,584,283	488,423

ROCK CREEK COMMUNITY ACADEMY, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Rock Creek Community Academy, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

RURAL COMMUNITY SCHOOLS, INC.

Financial Statements

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

RURAL COMMUNITY SCHOOLS, INC.

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Rural Community Schools, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Rural Community Schools, Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Rural Community Schools, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
February 27, 2015

RURAL COMMUNITY SCHOOLS, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 259,256	250,156
Grants receivable	26,670	34,595
Total current assets	285,926	284,751
Property and equipment:		
Leasehold improvements	89,399	72,453
Furniture and equipment	410,363	389,667
Textbooks and library books	109,804	102,058
Less: accumulated depreciation	(396,224)	(354,970)
Property and equipment, net	213,342	209,208
	$ 499,268	493,959
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 59,568	56,239
Total current liabilities	59,568	56,239
Unrestricted net assets	439,700	437,720
	$ 499,268	493,959

RURAL COMMUNITY SCHOOLS, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 974,132	864,512
Grant revenue	176,320	222,066
Student fees	26,001	28,623
Extra curricular revenue	29,295	18,631
Contributions	5,756	6,170
Other income	11,407	2,525
Total revenue and support	1,222,911	1,142,527
Expenses		
Program services	1,017,353	967,861
Management and general	203,578	216,449
Total expenses	1,220,931	1,184,310
Change in net assets before non-operating revenue	1,980	(41,783)
Non-Operating Revenue		
Gain due to changes in legislative funding	-	36,262
Change in net assets	1,980	(5,521)
Net assets, beginning of year	437,720	443,241
Net assets, end of year	$ 439,700	437,720

RURAL COMMUNITY SCHOOLS, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ 1,980	(5,521)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain due to changes in legislative funding	-	(36,262)
Depreciation	41,254	39,750
Change in:		
Grants receivable	7,925	29,495
Accounts payable and accrued expenses	3,329	(12,713)
Net cash provided by operating activities	54,488	14,749
Investing Activities		
Purchases of property and equipment	(45,388)	(46,267)
Net cash used by investing activities	(45,388)	(46,267)
Net increase (decrease) in cash	9,100	(31,518)
Cash, beginning of year	250,156	281,674
Cash, end of year	$ 259,256	250,156

RURAL COMMUNITY SCHOOLS, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Rural Community Schools, Inc. d/b/a Rural Community Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School serves approximately 130 students in grades kindergarten through eight.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amounts of cost and expenses at the time they are incurred.

Grants Receivable

Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

RURAL COMMUNITY SCHOOLS, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Taxes on Income

Rural Community Schools, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	15 to 40 years
Furniture and equipment	5 to 10 years
Textbooks and library books	5 years

RURAL COMMUNITY SCHOOLS, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through February 27, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School has applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	$398,310
Repayment of accrued interest on Common School Fund loans.	70,048
	468,358
Elimination of School funding	(432,096)
	$ 36,262

RURAL COMMUNITY SCHOOLS, INC.

Notes to Financial Statements

(3) Leases

The School leases its facility and certain items of office equipment under operating leases. The facility lease is an annually renewable lease that provides for monthly rental payments of $500. The School is also responsible for the cost of utilities and maintenance. Future minimum lease obligations as of June 30, 2014 for noncancelable operating leases with initial lease terms in excess of one year consist of payments totaling $2,667 per year through 2019.

Rent expense for the years ended June 30, 2014 and 2013 was $7,548 and $10,893, respectively.

(4) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 11% of compensation for other employees to PERF. Substantially all full-time employees are eligible to participate. Retirement plan expense under both plans was $43,492 and $52,249 for the years ended June 30, 2014 and 2013, respectively.

(5) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was $15,991 and $10,229 for the years ended June 30, 2014 and 2013. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

RURAL COMMUNITY SCHOOLS, INC.

Notes to Financial Statements

(6) Risks and Uncertainties

The School provides educational instruction services to families residing in Sullivan and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at Regions Bank frequently exceed the FDIC insurance limit.

RURAL COMMUNITY SCHOOLS, INC.

Notes to Financial Statements

(7) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$545,343	106,238
Employee benefits	159,589	26,620
Staff development	4,169	-
Professional services	32,791	6,353
Textbooks and educational materials	15,002	-
Authorizer oversight fee	-	15,991
Food costs	56,766	-
Transportation	28,555	482
Equipment and rentals	14,223	12,166
Classroom, kitchen and office supplies	15,213	8,183
Occupancy	75,003	1,023
Depreciation	41,257	-
Insurance	-	15,676
Advertising	-	3,096
Extra-curricular activities	28,768	-
Other	674	7,750
	$1,017,353	203,578

RURAL COMMUNITY SCHOOLS, INC.

Notes to Financial Statements

(7) Functional Expense Reporting Continued

	2013	
	Program Services	Management and General
Salaries and wages	$536,052	116,167
Employee benefits	152,158	22,070
Staff development	6,550	-
Professional services	35,394	4,670
Textbooks and educational materials	6,095	-
Authorizer oversight fee	-	10,229
Food costs	53,009	-
Transportation	24,630	593
Equipment and rentals	11,771	4,893
Classroom, kitchen and office supplies	13,018	12,739
Occupancy	72,230	1,129
Depreciation	39,750	-
Interest	-	15,933
Insurance	-	18,614
Advertising	-	3,021
Extra-curricular activities	15,255	-
Other	1,949	6,391
	$967,861	216,449

RURAL COMMUNITY SCHOOLS, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the school as listed below:

Supplemental Audit Report of Rural Community Schools, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.

d/b/a THEA BOWMAN LEADERSHIP ACADEMY

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

Fitzgerald | Isaac LLC
Certified Public Accountants

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

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Fitzgerald | Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy**, which comprise the statements of financial position as of June 30, 2014 and 2013, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 entity'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 entity'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.

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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 Drexel Foundation for Educational Excellence, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2014 on our consideration of Drexel Foundation for Educational Excellence, Inc.'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 Drexel Foundation for Educational Excellence, Inc.'s internal control over financial reporting and compliance.

Indianapolis, IN
October 15, 2014

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 2,285,761	1,482,320
Cash - restricted for debt service	195,000	183,750
Certificate of deposit	524,038	524,038
Accounts receivable:		
Grants	286,805	1,053,001
Other	20,223	609
Prepaid expenses	2,487	14,323
Total current assets	3,314,314	3,258,041
Property and equipment:		
Land	859,886	859,886
Structures and improvements	16,857,204	16,842,714
Equipment	2,814,032	2,542,944
Furniture and fixtures	785,648	781,904
Less: accumulated depreciation	(5,453,614)	(4,552,717)
Property and equipment, net	15,863,156	16,474,731
Other assets:		
Cash restricted for debt service	1,505,075	1,505,075
Debt issuance costs, net of amortization	728,041	756,620
	2,233,116	2,261,695
	$ 21,410,586	21,994,467
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 851,262	839,169
Current portion of long-term debt	260,000	251,871
Total current liabilities	1,111,262	1,091,040
Long-term debt	18,200,000	18,460,000
Total liabilities	19,311,262	19,551,040
Unrestricted net assets	2,099,324	2,443,427
	$ 21,410,586	21,994,467

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 10,334,087	9,126,990
Grant revenue:		
State	116,129	384,635
Federal	2,837,209	2,602,444
Student fees	204,692	220,311
Contributions	5,706	10,771
Interest income	1,650	1,505
Other	94,173	53,605
Total revenue and support	13,593,646	12,400,261
Expenses		
Program services	11,850,836	11,702,223
Management and general	2,086,913	1,651,084
Total expenses	13,937,749	13,353,307
Decrease in net assets before non-operating revenue	(344,103)	(953,046)
Non-Operating Revenue		
Gain due to changes in legislative funding	-	689,600
Decrease in net assets	(344,103)	(263,446)
Net assets, beginning of year	2,443,427	2,706,873
Net assets, end of year	$ 2,099,324	2,443,427

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (344,103)	(263,446)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	900,897	934,675
Amortization	28,579	28,578
Gain due to change in legislative funding	-	(689,600)
Change in:		
Accounts receivable	746,582	(397,312)
Prepaid expenses	11,836	194,135
Accounts payable and accrued expenses	12,093	(774,023)
Net cash provided (used) by operating activities	1,355,884	(966,993)
Investing Activities		
Acquisition of property and equipment	(289,322)	(130,021)
Net cash used by investing activities	(289,322)	(130,021)
Financing Activities		
Principal repayments of long-term debt	(251,871)	(239,283)
Increase in cash held for debt service	(11,250)	(11,250)
Net cash used by financing activities	(263,121)	(250,533)
Net increase (decrease) in cash	803,441	(1,347,547)
Cash and cash equivalents, beginning of year	1,482,320	2,829,867
Cash and cash equivalents, end of year	$ 2,285,761	1,482,320
Supplemental disclosures:		
Cash paid for interest expense	$ 1,253,869	1,279,775

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School has entered into a service agreement with American Quality Schools Corporation, an organization incorporated in the State of Illinois, to provide curriculum, managerial, administrative, and financial services to the School.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the school year in which educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Structures and improvements	15 to 39 years
Equipment	3 to 7 years
Furniture and fixtures	7 years

Taxes on Income

Drexel Foundation for Educational Excellence, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Cash Equivalents

The School considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

Debt Issuance Costs

Costs associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bonds have been deferred and are being amortized over the term of the bonds (30 years) using the straight-line method.

Subsequent Events

The School evaluated subsequent events through October 15, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

Reclassifications

Certain figures for 2013 that were previously reported have been reclassified for comparative purposes.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in equal monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was suspended.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$4,507,506
Repayment of accrued interest on Common School Fund loans	745,010
	5,252,516
Elimination of School funding	(4,562,916)
	$ 689,600

(3) Long-Term Debt

Long-term debt as of June 30, 2014 and 2013 consisted of the following:

	2014	2013
Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2009 that are collateralized by the structures and improvements. The loan principal is payable in annual principal installments that vary between $230,000 and $2,890,000 through October 2039. Interest payments are made semi-annually at rates that range from 6% to 7% in accordance with the bond agreement.	$18,460,000	18,705,000
Non-interest bearing note payable to Food Service Professionals, Inc. that is due in monthly installments of $794, with the final payment due in May 2014. The note is collateralized by specific items of equipment.	-	6,871
	18,460,000	18,711,871
Less: current portion	(260,000)	(251,871)
	$18,200,000	18,460,000

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to Financial Statements

(3) Long-Term Debt, Continued

The Indiana Finance Authority Educational Facilities Revenue Bond obligation contains certain covenants that limit the School's ability to create liens, incur indebtedness or guarantees, dispose of assets, or change the nature of the business. The bond obligation also contains financial maintenance covenants establishing a minimum debt service coverage ratio. The School did not met the minimum debt service coverage ratio in the year ended June 30, 2013, but was in compliance in the year ended June 30, 2014.

Future maturities of long-term debt are as follows:

Year Ended June 30:	
2015	$ 260,000
2016	275,000
2017	295,000
2018	310,000
2019	330,000
Thereafter	16,990,000
	$18,460,000

(4) Leases

The School conducts its elementary school operations from facilities that are leased under a noncancelable operating lease that expires in June 2017. The lease provides for an initial minimum annual rental payment of $115,000, which increases by three percent each year through June 2017. The minimum annual rental payment is based on an enrollment of 300 students. There is an additional monthly charge for each student in excess of 300. The School also leases certain items of equipment under leases that are accounted for as operating leases. The leases extend through February 2017.

Future minimum rental payments required under these leases are as follows:

Year Ended June 30:	
2015	$160,984
2016	155,912
2017	141,985

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to Financial Statements

(5) Retirement Plan

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. INPRS acts as a common administrative and investment agent for units of state and local government in Indiana. Contribution requirements are determined by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF. The contribution to PERF for other employees was 8.75% of compensation until December 31, 2013, and 10.25% thereafter. Substantially all full-time employees are eligible to participate. Participants are required to contribute 3% of compensation to an annuity saving account that can be withdrawn when the participant terminates employment. The School voluntarily makes this contribution on behalf of the participants. Retirement plan expense was $496,209 and $609,062 for the years ended June 30, 2014 and 2013.

(6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent. Payments under this agreement were $212,140 and $99,868 for the years ended June 30, 2014 and 2013.

The School has contracted with American Quality Schools Corporation, a not-for-profit organization incorporated in the State of Illinois, to provide management, administrative and educational programming services. Under the terms of the agreement, the School has agreed to pay an amount equal to 7% of revenues, as defined, for such services. The contract commenced July 1, 2010 and expires June 30, 2015. Management fee expense under this contract was $723,386 and $343,042 for the years ended June 30, 2014 and 2013. No management fees were assessed with regard to the elimination of school funding as described in Note 2.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to Financial Statements

(7) Accounting Correction

In 2014, the School was informed that certain expenditures incurred in 2013 were subject to reimbursement under a federal special education grant. These expenditures had not been previously claimed due to a misunderstanding regarding the grant conditions. The School has corrected this error by restating previously issued financial statements. The effect of this correction has been to increase revenue and the change in net assets for the year ended June 30, 2013 by $62,057.

(8) Risks and Uncertainties

The School provides education services to families residing in Lake and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and are insured up to the FDIC insurance limit.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$ 5,655,042	754,469
Amortization	-	28,578
Employee benefits	854,636	106,833
Books and supplies	443,310	-
Depreciation	900,897	-
Education	493,150	-
Food service expense	684,613	-
Insurance	593,074	112,134
Interest	1,253,869	-
Management fees	-	963,251
Office expense	-	105,051
Professional fees	76,680	9,450
Rent	301,124	-
Repairs and maintenance	594,441	-
Other	-	7,147
	$11,850,836	2,086,913

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$5,695,314	550,651
Amortization	-	28,578
Employee benefits	978,214	92,354
Books and supplies	398,410	-
Depreciation	934,676	-
Education	329,816	-
Food service expense	700,127	-
Insurance	540,657	92,892
Interest	1,268,238	191,837
Management fees	-	442,911
Office expense	-	136,225
Professional fees	46,344	82,964
Rent	271,160	-
Repairs and maintenance	539,267	-
Other	-	32,672
	$11,702,223	1,651,084

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010		$ 1,717,927
Charter Schools Program	84.282		34,848
Special Education Cluster			
Special Education - Grants to States	84.027	14214-507-PN01	214,746
Improving Teacher Quality State Grants	84.367		176,407
Total federal awards expended			$ 2,143,928

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Drexel Foundation for Educational Excellence, Inc. (the "School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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*

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.

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 **Drexel Foundation for Educational Excellence, Inc., d/b/a Thea Bowman Leadership Academy** (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 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 a 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.

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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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding No. 2014-001 and Finding No. 2014-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, IN
October 15, 2014

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Certified Public Accountants

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

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.

Report on Compliance for Each Major Federal Program

We have audited **Drexel Foundation for Educational Excellence, Inc., d/b/a Thea Bowman Leadership Academy**'s (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2014. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding No. 2014-003 and Finding No. 2014-004. Our opinion on the major program is not modified with respect to these matters.

The School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Drexel Foundation for Educational Excellence, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items Findings No. 2014-003 and Finding No. 2014-004 that we consider to be significant deficiencies.

The School's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Indianapolis, IN
October 15, 2014

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	Yes
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	Yes

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Title I, Part A Cluster
84.010	Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	No

II. Financial Statement Findings

SIGNIFICANT DEFICIENCIES

FINDING NO. 2014-001 PROCUREMENT POLICY

Condition
Under the Title I program, the School conducted a number of procurements in excess of $50,000, including computer purchases, contracted tutoring, and a multi-year educational materials contract, and did so without the use of a written procurement policy governing purchase transactions.

Criteria
OMB Circular A-110 (§__.40) states that the standards prescribed are "for use by recipients in establishing procedures for the procurement of supplies and other expendable property, equipment, real property and other services with Federal funds".

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

II. Financial Statement Findings, Continued

OMB Circular A-110 (§__.44) further states that "all recipients shall establish written procurement procedures" and provides for minimum standards for those procedures allowing that "the type of procuring instruments used (e.g., fixed price contracts, cost reimbursable contracts, purchase orders, and incentive contracts) shall be determined by the recipient but shall be appropriate for the particular procurement and for promoting the best interest of the program or project involved".

Cause
The School has been operating using informal procurement procedures.

Effect
The failure to maintain a written procurement policy does not allow for proper documentation of internal controls, nor provide assurance that federal funds are expended most efficiently.

Context
In none of the three procurement transactions mentioned above did the School maintain documentation of the solicitation or basis for selection of the contractor/vendor.

Recommendation
We recommend that the School develop a written procurement policy that is responsive to its various procurement actions.

Views of Responsible Officials and Planned Corrective Action
See attached letter of response from School officials.

FINDING NO. 2014-002 FINANCIAL REPORTING

Condition
In the 2014 fiscal year, the School determined that expenditures relating to the 2013 fiscal year had not been claimed for reimbursement. A claim for these expenditures was submitted and paid in fiscal year 2014. As such, expenditures were not properly reported on the Schedule of Expenditures of Federal Awards (SEFA) for fiscal year 2013.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

II. Financial Statement Findings, Continued

Criteria
OMB Circular A-110 (§__.21) states "recipients' financial management systems shall provide for…Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program…."

OMB Circular A-133 (§__.310) states that "the auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements".

Cause
The expenditures were not reported initially due to a misunderstanding regarding the grant conditions.

Effect
The School submitted financial statements for the 2013 fiscal year that were not accurate.

Context
The SEFA for the 2013 fiscal year was under-reported by $62,057.

Recommendation
The School should implement procedures to assure that the terms and conditions of each grant are identified and responsibility for accurate reporting be assigned to a grants manager.

Views of Responsible Officials and Planned Corrective Action
See attached letter of response from School officials.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

III. Federal Award Findings and Questioned Costs

FINDING NO. 2014-003 PROCUREMENT POLICY

Federal Agency:	U.S. Department of Education
Pass-Through Agency:	Indiana Department of Education
Federal Program:	Title I, Part A, Grants to Local Educational Agencies
CFDA Number:	84.010
Award Year:	FY 2013-2014

	Questioned Costs
Significant Deficiency: As presented in Finding 2014-001, the School did not maintain a written procurement policy. Because of the lack of a formal written policy, procurement actions may occur that are not in compliance with federal standards. Action should be taken to develop a written procurement policy that is formally adopted by the Board of Directors.	-0-

FINDING NO. 2014-004 FINANCIAL REPORTING

Federal Agency:	U.S. Department of Education
Pass-Through Agency:	Indiana Department of Education
Federal Program:	Special Education – Grants to States
CFDA Number:	84.027
Award Year:	FY 2013-2014

Significant Deficiency: As presented in Finding 2014-002, the School did not accurately report the expenditures under the Special Education grant for fiscal year 2013. The failure comply with the grant requirements resulted in the delinquent reporting of grant expenditures. Action should be taken to assign grant management responsibility to assure timely compliance with grant conditions.	-0-

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Other Reports

Year Ended June 30, 2014

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Drexel Foundation for Educational Excellence, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

Attachment

THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Management's Responses

FINDING NO. 2014-001

Management agrees with the comment and will draft a formal Procurement Policy for the Board's consideration. However, notwithstanding the lack of a written policy, as a compensating control over spending ALL major contracts ($5,000 or greater) are discussed with and approved by the Board of Directors of TBLA. Throughout the year, contracts for purchases are generally supported by bids from three vendors (if available) with a recommendation made by AQS to the Board. Purchases are made only when the Board has approved the purchase. Also, during the course of the budgeting process and subsequent reforecasts that are prepared, major expenditures are discussed, reviewed and approved by the Board as well. This was the case with the three major purchases in question.

FINDING NO. 2014-002

We were not aware these funds were not requested or expensed based on data that had been supplied by the previous accountant in charge of school accounting (no longer employed by AQS). This item was not discovered during the audit of the 2013 school year. We have since changed our accounting for grants by identifying the grant income and expense items by the year of the grant—this will eliminate the possibility of this situation occurring in the future.

FINDING NO. 2014-3

Management agrees. See management's response to finding 2014-001.

FINDING 2014-004

Management agrees and has taken steps to rectify this problem as identified in Finding 2014-002.

Financial Audit Reports for Each Charter School

21ST CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

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21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
21st Century Charter School at Fountain Square, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory Academy**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 audits 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 entity'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 entity'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.

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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 21st Century Charter School at Fountain Square, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2014 on our consideration of 21st Century Charter School at Fountain Square, Inc.'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 21st Century Charter School at Fountain Square, Inc.'s internal control over financial reporting and compliance.

Indianapolis, IN
October 29, 2014

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 114,193	340,079
Accounts receivable:		
Grants	98,734	100,723
Other	4,507	1,974
Prepaid expense	55,622	20,723
Total current assets	273,056	463,499
Property and equipment:		
Textbooks	16,098	29,964
Leasehold improvements	5,099	46,214
Computers and technology	650,025	571,136
Furniture and equipment	387,334	271,478
Vehicle	12,450	12,450
Less: accumulated depreciation	(807,170)	(784,798)
Property and equipment, net	263,836	146,444
	$ 536,892	609,943
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 178,255	135,924
Note payable	82,292	150,000
Refundable advances	5,468	4,080
Total liabilities	266,015	290,004
Unrestricted net assets	270,877	319,939
	$ 536,892	609,943

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 1,859,874	1,871,004
Grant revenue	1,424,854	1,379,732
Student fees	3,518	3,118
Contributions:		
Cash	12,530	22,600
In-kind	-	210,138
Other income	12,921	5,233
Total revenue and support	3,313,697	3,491,825
Expenses		
Program services	2,535,045	2,308,599
Administrative	827,714	887,563
Total expenses	3,362,759	3,196,162
Increase (decrease) in net assets before non-operating revenue	(49,062)	295,663
Non-Operating Revenue		
Gain due to changes in legislative funding	-	482,296
Increase (decrease) in net assets	(49,062)	777,959
Net assets (deficiency), beginning of year	319,939	(458,020)
Net assets, end of year	$ 270,877	319,939

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (49,062)	777,959
Adjustments to reconcile change in net assets to net cash from operating activities:		
Gain due to changes in legislative funding	-	(482,296)
Gain on disposal of fixed assets	5,321	-
Depreciation	87,781	151,625
Change in:		
Accounts receivable	(544)	21,880
Prepaid expense	(34,899)	1,610
Accounts payable and accrued expenses	42,331	48,253
Due to GEO Foundation	-	(210,138)
Refundable advances	1,388	(3,067)
Net cash provided by operating activities	52,316	305,826
Investing Activities		
Purchases of property and equipment	(210,494)	(64,516)
Net cash used by investing activities	(210,494)	(64,516)
Financing Activities		
Principal repayments of long-term obligations	-	(63,367)
Net receipts (repayments) under line of credit	(67,708)	75,000
Net cash provided (used) by financing activities	(67,708)	11,633
Net increase (decrease) in cash	(225,886)	252,943
Cash, beginning of year	340,079	87,136
Cash, end of year	$ 114,193	340,079
Supplemental disclosures:		
Cash payments for interest expense	$ 4,791	4,646

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Subsequent Events

The School evaluated subsequent events through October 29, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Textbooks	4 years
Leasehold improvements	5 to 9 years
Computers and technology	3 years
Furniture and equipment	5 years
Vehicle	5 years

Taxes on Income

21st Century Charter School at Fountain Square, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income, Continued

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2013, 2012, and 2011 are open to audit for both federal and state purposes.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in equal monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$1,218,495
Repayment of accrued interest on Common School Fund loans	199,364
	1,417,859
Elimination of School funding	(935,563)
	$ 482,296

(3) Note Payable

At June 30, 2013, the School had a $150,000 note payable with Old National Bank to provide short-term financing. The loan required monthly payments of interest only for a period of twelve months, followed by twelve monthly payments of principal and interest. The loan was secured by all business assets, guaranteed by certain members of the Board of Directors, carried an interest rate of 0.5% below the leader's prime rate, and matured on July 2, 2014. On July 2, 2014, the note was rewritten under essentially the same terms, providing that the balance of the note of $82,292 be repaid in monthly installments of $6,981 through July 2015.

(4) Leases

The School leases its building and as well as certain items of office equipment under operating leases. Total expense under operating leases for 2014 and 2013 was $309,855 and $240,696, respectively. Minimum future rental payments as of June 30, 2014 for all operating leases with initial, noncancelable lease terms in excess of one year are as follows:

Year ending June 30:	
2015	$319,737
2016	44,737
2017	19,737
2018	9,869

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Notes to Financial Statements

(5) Retirement Plans

The School offers retirement benefits for which substantially all full-time employees are eligible to participate. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. For the years ended June 30, 2014 and 2013, the School contributed 7.5% of compensation for teaching faculty to TRF.

The School also offers a 403(b) defined contribution retirement plan provided by the Indiana Public Charter Schools Association. Non-teaching personnel and teachers who opt to not participate in TRF are eligible for benefits under the 403(b) plan. Under the 403(b) plan, the School contributes 7% of each employee's defined compensation.

For the years ended June 30, 2014 and 2013, retirement plan expense under both plans was $111,442 and $133,889, respectively.

(6) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014 and 2013, the School had refundable grant advances in excess of expenditures of $5,468 and $4,080, respectively.

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Notes to Financial Statements

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was $31,305 and $26,087 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2015, and is renewable thereafter by mutual consent.

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014 and 2013, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits are maintained at Old National Bank and are insured up to the FDIC insurance limit.

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$1,140,791	387,606
Employee benefits	280,117	92,883
Staff development and recruitment	48,304	-
Professional services	88,866	124,365
Textbooks and educational materials	2,894	-
Authorizer oversight fee	-	31,305
Academic services	-	113,659
Transportation	91,064	-
Food costs	127,771	-
Equipment rental and expense	16,748	-
Repairs and maintenance	42,582	-
Technology	198,451	-
Classroom, kitchen and office supplies	32,535	10,238
Occupancy	366,362	-
Depreciation	87,781	-
Interest	-	4,791
Insurance	-	23,458
Other	10,779	39,409
	$2,535,045	827,714

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$1,064,592	448,610
Employee benefits	293,041	99,386
Staff development and recruitment	42,775	-
Professional services	72,953	88,536
Textbooks and educational materials	3,629	-
Authorizer oversight fee	-	26,087
Academic services	-	117,043
Transportation	95,100	-
Food costs	99,914	-
Equipment rental and expense	522	-
Repairs and maintenance	17,018	-
Technology	104,275	-
Classroom, kitchen and office supplies	18,449	10,065
Occupancy	322,887	-
Depreciation	151,625	-
Interest	-	54,753
Insurance	-	14,914
Other	21,819	28,169
	$2,308,599	887,563

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfrast Program	10.553		$ 20,695
National School Lunch Program	10.555		71,221
Total for cluster			91,916
U.S. DEPARTMENT OF EDUCATION			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010		217,379
Special Education Cluster			
Special Education - Grants to States	84.027	14213-543-PN01	86,119
Improving Teacher Quality State Grants	84.367		18,054
School Improvement Cluster			
School Improvement Grants	84.377		970,068
Total for federal grantor agency			1,291,620
Total federal awards expended			$ 1,383,536

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of 21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory Academy (the "School") under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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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*

The Board of Directors
21st Century Charter School at Fountain Square, Inc.

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 **21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory Academy** (the "School"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, IN
October 29, 2014

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Certified Public Accountants

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

The Board of Directors
21st Century Charter School at Fountain Square, Inc.

Report on Compliance for Each Major Federal Program

We have audited **21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory Academy's** (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2014. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, 21st Century Charter School at Fountain Square, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of 21st Century Charter School at Fountain Square, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

Indianapolis, IN
October 29, 2014

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	School Improvement Cluster
84.377	School Improvement Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Other Reports

Year Ended June 30, 2014

The reports presented herein were prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of 21st Century Charter School at Fountain Square, Inc.
d/b/a University Heights Preparatory Academy

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

Financial Audit Reports for Each Charter School

CAROUSEL FAMILY SERVICES, INC.

d/b/a

VERITAS ACADEMY

Financial Statements

June 30, 2013 and 2012

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CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Carousel Family Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Carousel Family Services, Inc. d/b/a/ Veritas Academy**, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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.

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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 Carousel Family Services, Inc. d/b/a Veritas Academy as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
February 21, 2014

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Statements of Financial Position

	June 30	
Assets	2013	2012
Current assets:		
Cash	$ 69,168	98,938
Accounts receivable:		
State tuition support	-	320,036
Grants	3,644	6,106
Prepaid expense	-	200
Total current assets	72,812	425,280
Property and equipment:		
Leasehold improvements	11,205	11,205
Furniture and equipment	30,205	28,072
Textbooks	31,285	30,355
Less: accumulated depreciation	(35,355)	(18,513)
Property and equipment, net	37,340	51,119
	$ 110,152	476,399
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 105,296	139,152
Current portion of long-term debt	-	8,969
Deferred revenue	7,490	10,569
Refundable advances	1,469	5,872
Total current liabilities	114,255	164,562
Long-term debt	-	31,392
Total liabilities	114,255	195,954
Unrestricted net assets (deficiency)	(4,103)	280,445
	$ 110,152	476,399

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Statements of Activities

	Year Ended June 30	
Revenue and Support	2013	2012
State education support	$ 792,504	640,120
Grant revenue	231,546	222,437
Student fees	32,039	25,172
Contributions	6,760	9,628
Other income	5,968	12,385
Total revenue and support	1,068,817	909,742
Expenses		
Program services:		
Educational instruction	799,514	918,757
Education support	69,190	71,754
Administrative	211,130	266,479
Total expenses	1,079,834	1,256,990
Decrease in net assets before non-operating expense	(11,017)	(347,248)
Non-Operating Expense		
Loss due to changes in legislative funding	(273,531)	-
Decrease in net assets	(284,548)	(347,248)
Net assets, beginning of year	280,445	627,693
Net assets (deficiency), end of year	$ (4,103)	280,445

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2013	2012
Decrease in net assets	$ (284,548)	(347,248)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Loss due to changes in legislative funding	273,531	-
Depreciation	16,842	17,544
Change in:		
Accounts receivable	(73,722)	169,556
Prepaid expense	200	21,830
Accounts payable and accrued expenses	(31,450)	15,659
Deferred revenue	(3,079)	-
Refundable advances	(4,403)	(18,871)
Net cash used by operating activities	(106,629)	(141,530)
Investing Activities		
Purchases of property and equipment	(3,063)	(35,881)
Net cash used by investing activities	(3,063)	(35,881)
Financing Activities		
Proceeds from Common School Fund loans	91,170	-
Repayments on Common School Fund loans	(11,248)	(8,969)
Net cash provided (used) by financing activities	79,922	(8,969)
Net decrease in cash	(29,770)	(186,380)
Cash, beginning of year	98,938	285,318
Cash, end of year	$ 69,168	98,938
Supplemental disclosures:		
Cash payments for interest expense	$ 1,774	1,884

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

General

Carousel Family Services, Inc. d/b/a Veritas Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in January through December following the start of the school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Carousel Family Services, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2013 and 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2012, 2011, and 2010 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	15 years
Furniture and equipment	3 to 5 years
Textbooks	4 years

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through February 21, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 will no longer be paid.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School has applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a loss due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$ 120,282
Repayment of accrued interest on Common School Fund loans	2,406
	122,688
Elimination of School funding	(396,219)
	$ (273,531)

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(3) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 represented amounts due relating to the following sources:

Tuition support	$ 282,883
Special education grant	28,958
Prime Time grant	8,195
	$ 320,036

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students and other factors. The payment schedule is likewise determined by state law with tuition support payable in equal monthly installments in the calendar year following the start of the academic school year. Effective July 1, 2013, tuition support will be paid in monthly installments that coincide with the School's fiscal year (see Note 2).

(4) Long-Term Debt

Long-term debt at June 30, 2012 represented a loan from the Indiana Common School Fund. A second loan from the Indiana Common School Fund was obtained in 2013. These loans required semi-annual payments of principal and interest over periods of 10 and 20 years with interest at 4% per annum. In 2013, the outstanding loans and all accrued interest were repaid with funding appropriated from the State of Indiana general fund (see Note 2).

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(5) Leases

The School leases its school facility as well as certain items of office equipment under operating leases. The facility lease is renewable annually. Expense under operating leases for the years ended June 30, 2013 and 2012 was $82,221 and $83,423, respectively. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year Ending June 30:	
2014	$ 7,050
2015	3,525

(6) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2013 and 2012, the School had refundable grant advances in excess of expenditures of $1,469 and $5,872.

(7) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. For the years ended June 30, 2013 and 2012, the School contributed 7.5% of compensation for teaching faculty to TRF and 8.75% of compensation for other employees to PERF. Substantially all full-time employees are eligible to participate. Retirement plan expense was $61,405 and $65,580 for the years ended June 30, 2013 and 2012, respectively.

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(8) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was $10,815 and $16,983 for the years ended June 30, 2013 and 2012, respectively. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

(9) Risks and Uncertainties

The School provides educational instruction services to families residing in St. Joseph and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2013 and 2012, substantially all of the accounts receivable balance was due from the State of Indiana. All cash deposits are maintained at 1st Source Bank and are secured by FDIC insurance up to the legal limit.

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(10) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the years ended June 30, 2013 and 2012:

	2013		
	Educational Instruction	Education Support	Administrative
Salaries and wages	$462,080	43,524	86,033
Employee benefits	98,625	7,390	16,932
Professional services	18,673	2,649	53,566
Staff development	11,578	-	589
Authorizer oversight fee	-	-	10,815
Transportation	-	337	-
Food costs	-	6,765	-
Property rental	2,485	3,896	-
Classroom, kitchen and office supplies	25,632	4,629	11,220
Occupancy	163,599	-	-
Depreciation	16,842	-	-
Interest	-	-	4,180
Insurance	-	-	18,453
Other	-	-	9,342
	$799,514	69,190	211,130

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Notes to Financial Statements

(11) Functional Expense Reporting Continued

	2012		
	Educational Instruction	Education Support	Administrative
Salaries and wages	$550,597	37,667	109,800
Employee benefits	116,671	5,317	18,915
Professional services	30,287	1,455	62,899
Staff development	21,234	-	575
Authorizer oversight fee	-	-	16,983
Transportation	-	5,405	-
Food costs	-	12,549	-
Property rental	4,997	3,457	-
Classroom, kitchen and office supplies	19,117	5,904	6,820
Occupancy	158,310	-	-
Depreciation	17,544	-	-
Interest	-	-	1,884
Insurance	-	-	37,405
Other	-	-	11,198
	$918,757	71,754	266,479

CAROUSEL FAMILY SERVICES, INC.
d/b/a
VERITAS ACADEMY

Other Reports

Year Ended June 30, 2013

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Carousel Family Services, Inc. d/b/a Veritas Academy

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.

Financial Audit Reports for Each Charter School

INDIANA SCHOOLS OF EXCELLENCE, INC.

Financial Statements

June 30, 2014 and 2013

INDIANA SCHOOLS OF EXCELLENCE, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Indiana Schools of Excellence, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Indiana Schools of Excellence**, **Inc.**, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity'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 entity'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 **Indiana Schools of Excellence, Inc.** as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Indianapolis, IN
June 3, 2015

INDIANA SCHOOLS OF EXCELLENCE, INC.

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	$ 368,451	155,809
Receivables:		
State education support	-	198,692
Grants	29,469	332,372
Other	34,927	7,322
Prepaid expenses	24,894	4,257
Total current assets	457,741	698,452
Property and equipment:		
Land	150,000	150,000
Building and improvements	2,474,601	2,465,865
Equipment	666,012	589,048
Furniture and fixtures	115,744	115,744
Less: accumulated depreciation	(1,040,259)	(747,664)
Property and equipment, net	2,366,098	2,572,993
	$ 2,823,839	3,271,445
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 388,208	432,162
Current portion of long-term debt	129,431	162,211
Current portion of capital lease obligation	-	5,213
Total current liabilities	517,639	599,586
Long-term debt	2,055,335	2,191,103
Total liabilities	2,572,974	2,790,689
Unrestricted net assets	250,865	480,756
	$ 2,823,839	3,271,445

INDIANA SCHOOLS OF EXCELLENCE, INC.

Statements of Activities

	Year Ended June 30	
Revenue and Support	2014	2013
State education support	$ 1,977,399	2,389,999
Grant revenue	595,432	682,656
Student fees	35,156	42,478
Other	1,413	93
Total revenue and support	2,609,400	3,115,226
Expenses		
Program services	2,235,649	2,360,193
Management and general	603,642	565,132
Total expenses	2,839,291	2,925,325
Change in net assets before non-operating income	(229,891)	189,901
Non-Operating Income		
Gain due to changes in legislative funding	-	5,798
Change in net assets	(229,891)	195,699
Net assets, beginning of year	480,756	285,057
Net assets, end of year	$ 250,865	480,756

INDIANA SCHOOLS OF EXCELLENCE, INC.

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2014	2013
Change in net assets	$ (229,891)	221,377
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	-	(5,798)
Depreciation	292,595	292,380
Change in:		
Accounts receivable	473,990	(380,581)
Prepaid expenses	(20,637)	(4,018)
Accounts payable and accrued expenses	(43,954)	(106,957)
Net cash provided by operating activities	472,103	16,403
Investing Activities		
Acquisition of property and equipment	(85,700)	(52,798)
Net cash used by investing activities	(85,700)	(52,798)
Financing Activities		
Principal reduction of capital lease obligation	(5,213)	(18,474)
Principal repayments of long-term indebtedness	(168,548)	(154,780)
Net cash used by financing activities	(173,761)	(173,254)
Net increase (decrease) in cash	212,642	(209,649)
Cash, beginning of year	155,809	365,458
Cash, end of year	$ 368,451	155,809
Supplemental disclosures:		
Cash paid for interest expense	$ 118,363	140,307

INDIANA SCHOOLS OF EXCELLENCE, INC.

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Indiana Schools of Excellence, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School has entered into a service agreement with American Quality Schools Corporation, an organization incorporated in the State of Illinois, to provide curriculum, managerial, administrative, and financial services to the School.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

INDIANA SCHOOLS OF EXCELLENCE, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Building and improvements	10 to 15 years
Equipment	5 to 7 years
Furniture and fixtures	7 years

Taxes on Income

Indiana Schools of Excellence, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending after 2011 are open to audit for both federal and state purposes.

INDIANA SCHOOLS OF EXCELLENCE, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through June 3, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 was eliminated.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$1,096,170
Repayment of accrued interest on Common School Fund loans	104,627
	1,200,797
Elimination of School funding	(1,194,999)
	$ 5,798

INDIANA SCHOOLS OF EXCELLENCE, INC.

Notes to Financial Statements

(3) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Note payable to United Bank, payable $6,774 monthly, including interest at 3% per annum, maturing April 2018, secured by all business assets	$ 500,924	565,880
Note payable to IFF, payable $5,661 monthly, including interest at 5% per annum, maturing December 2014, secured by furniture, fixtures and equipment	27,956	97,980
Note payable to Charter School Development Corporation, payable $3,835 monthly, including interest at 7.5% per annum, maturing April 2018, secured by real estate	155,886	189,454
Note payable to IFF, interest only payable monthly at 6.5% per annum, maturing May 2018, secured by real estate	1,500,000	1,500,000
Total long-term debt	2,184,766	2,353,314
Less: current portion	(129,431)	(162,211)
	$2,055,335	2,191,103

Principal maturities of long-term debt are scheduled as follows:

Year Ending June 30:	
2015	$ 129,431
2016	107,085
2017	112,264
2018	1,835,986

INDIANA SCHOOLS OF EXCELLENCE, INC.

Notes to Financial Statements

(4) Leases

The School leased computer equipment under a capital lease. At June 30, 2014, the cost and accumulated depreciation relating to these assets were $165,653 and $151,613 ($165,653 and $118,483 in 2013). The lease term ended in 2014, and the School retained the equipment.

The School also leases one item of office equipment under an operating lease. For the year ended June 30, 2014, rent expense under this lease was $4,980. Future minimum lease obligations under non-cancellable operating leases with an initial lease term in excess of one year are as follows:

Year Ending June 30:	
2015	$ 4,980
2016	4,980
2017	1,245

(5) Retirement Plan

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. INPRS acts as a common administrative and investment agent for units of state and local government in Indiana. Contribution requirements are determined by the INPRS Board. The School contributed 7.5% of compensation for teaching faculty to TRF. Contributions to PERF of non-teaching personnel were 7.25% of compensation through December 31, 2013 and 8.75% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was $89,839 and $88,622 for the years ended June 30, 2014 and 2013, respectively.

INDIANA SCHOOLS OF EXCELLENCE, INC.

Notes to Financial Statements

(6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent. Payments under this agreement for the years ended June 30, 2014 and 2013 were $41,464 and $30,014, respectively.

The School contracted with American Quality Schools Corporation, a not-for-profit organization incorporated in the State of Illinois, to provide management, administrative and educational programming services. Under the terms of the agreement, the School agreed to pay an amount equal to 6% of revenues, as defined, for such services. The contract commenced January 1, 2008 and expired June 30, 2014. The School did not renew the contract upon expiration. Management fee expense under this contract was $124,592 and $80,197 for the years ended June 30, 2014 and 2013.

(7) Risks and Uncertainties

The School provides education services to families residing in St. Joseph and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2014, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits are maintained at Notre Dame Federal Credit Union and frequently exceed the FDIC insurance limit.

INDIANA SCHOOLS OF EXCELLENCE, INC.

Notes to Financial Statements

(8) Accounting Correction

In 2014, the School discovered that grant revenues from 2011 received by American Quality Schools Corporation on the School's behalf had not been remitted. A receivable relating to this revenue was removed from the accounting records in error. The School corrected this error in accounting by restating previously issued financial statements. Net assets as of July 1, 2012 and subsequent periods have been increased by $25,678 to reflect this correction.

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	2014	
	Program Services	Management and General
Salaries and wages	$1,159,758	146,143
Employee benefits	279,237	42,491
Staff development and recruitment	7,300	-
Depreciation	292,595	-
Food service expense	111,556	-
Insurance	-	14,936
Interest	-	118,363
Miscellaneous	80	41,307
Occupancy	45,978	-
Professional fees	214,573	205,721
Repairs and maintenance	20,414	-
Supplies	30,052	31,054
Technology	59,972	840
Travel	14,134	2,787
	$2,235,649	603,642

INDIANA SCHOOLS OF EXCELLENCE, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages	$1,291,596	144,368
Employee benefits	280,644	41,017
Staff development and recruitment	6,446	-
Depreciation	292,380	-
Equipment	22,045	-
Food service expense	99,568	-
Insurance	-	7,781
Interest	-	170,902
Miscellaneous	-	19,277
Occupancy	28,617	-
Professional fees	212,967	155,761
Repairs and maintenance	11,288	-
Supplies	55,035	21,270
Technology	53,742	840
Travel	5,865	3,916
	$2,360,193	565,132

Financial Audit Reports for Each Charter School

INDIANA SCHOOLS OF EXCELLENCE, INC.

Other Reports

Year Ended June 30, 2014

The report presented herein was prepared in addition to another official report prepared for the School as listed below:

Supplemental Audit Report of Indiana Schools of Excellence, Inc.

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.