BALL STATE UNIVERSITY

2015-16

BSU Office *of* Charter Schools

BALL STATE UNIVERSITY®

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LETTER FROM THE DEAN

BSU Office of Charter Schools

Nationally, public charter schools continue to grow at a rapid pace. While the 2015-16 data is not yet available, for the 2014-15 school year, 6,633 charter schools were in operation, serving more than two and a half million students in 42 states and the District of Columbia. These numbers reflected an increase in student population of nearly seven percent and an increase in the number of schools of almost three percent over the preceding year. The number of students in public charter schools in 2014-15 was over five percent of all students enrolled in public schools across the nation. Though reports vary, there are an estimated million students currently on waiting lists nationally.

Ball State University serves as the largest University authorizer of public charter schools in Indiana, with 28 schools throughout the state serving 18,230 students during 2015-16. This was a decrease from 30 schools operating during the 2014-15 school year and serving 18,834 students. For the 2016-17 school year Ball State will authorize 28 schools serving approximately 17,501 children.

Since the passage of the Indiana charter law in 2001, BSU has been committed to ongoing growth and development of high quality charter schools and has established rigorous standards to ensure that the schools authorized are held accountable in providing excellent educational experiences for students they serve.

Ball State University's Office of Charter Schools continues its work to become a model for how an authorizer can drastically improve its policies and practices -- and consequently the strength of the schools in its portfolio. As the largest authorizer in Indiana for over a decade, Ball State worked with the National Association of Charter School Authorizers (NACSA) to improve its practices across the board.

Emphasis on improving student achievement is central to the Office of Charter Schools' (OCS) mission. Monitoring of student progress in Ball State-authorized charter schools is conducted on an annual basis. Growth model data for Spring 2016 shows that 91.7% of BSU-authorized schools demonstrated typical or high growth in English/Language Arts and 62.5% demonstrated typical or high growth in Math. Progress on the ISTEP+ and achievement growth data obtained from the required Northwest Evaluation Association (NWEA) for all schools is carefully assessed annually and serves as an important indicator of quality.

Leading statewide P-12 education reform and enhancing the role and impact of Ball State Office of Charter Schools is a commitment stated in the University's *18 by '18 Centennial Commitment*. To this end, additional mechanisms and strategies for assisting and supporting its charters to aggressively improve student academic performance are being considered and implemented toward the goal of increasing the percentage of Ball State-authorized charters that meet performance standards.

As parents and communities continue to call for high-quality educational options, Ball State University remains committed to meeting their needs, as do the many dedicated charter school administrators, teachers, staff and volunteers who serve on school boards, assist in the classrooms, and otherwise advance these public schools on behalf of their students.

Sincerely,

John E. Jacobson

John E. Jacobson, Ed.D. Dean, Teachers College

ACCOUNTABILITY REPORT CONTENT

BSU Office of Charter Schools

Overview

General Information

Comprehensive Review of BSU Charter Schools

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The Ball State University Office of Charter Schools is pleased to provide this Accountability Report along with additional information regarding data summarized in this report online: www.bsu.edu/teachers/charter

PURPOSE OF THE ACCOUNTABILITY REPORT

of BSU Charter Schools

Each year, the Ball State University Office of Charter Schools (OCS) publishes an accountability report indicating the performance of its authorized charter schools. This is the thirteenth annual accountability report.

The purpose of this report is to provide a performance snapshot of each charter school authorized by Ball State that operated during 2015-16, as well as a general summary of the success of the Ball State charter program. The accountability report provides information about each school's educational philosophy and approach; demographics of the school's student population; 2015-16 state student achievement data in the form of ISTEP+, IREAD, End of Course Assessments and graduation rates, as well as data from the Northwest Evaluation Association (NWEA) Measure of Academic Progress results.

This report summarizes the performance of each school for the academic year 2015-16, and, when applicable, goes back five years in operation. School performance data is obtained from the state assessment program, and the ISTEP+ assessment. The Indiana Department of Education reports test results only at the school level by grade. Because individual student performance has not been made available to OCS, the office is presently unable to track individual student progress for the ISTEP+ assessment. Without individual student performance on the ISTEP+, specific gains of those individual students from year-to-year cannot be tracked.

However, using Indiana's growth model data does provide some insight into the progress of students within BSU-authorized charter schools. Growth model data for Spring 2016 shows that 91.7% percent of BSU-authorized schools demonstrated typical or high growth in English/Language Arts and 62.5% percent demonstrated typical or high growth in Math. OCS recognizes that focusing on standardized test passing rates alone does not take into account such factors as the movement of individual students into and out of schools. This student mobility is significant for some of the Ball State-authorized schools, thereby masking performance gains of students who remain at a school for a number of years. Ideally, for accuracy, the performance of a school should be based on the impact of its educational program on the same students over a reasonable period of time.

The NWEA Measures of Academic Progress has been used not only as an accountability tool, but also as a means for identifying individual students' areas of needed improvement. The percentages of students achieving their NWEA target growth rate are included here to provide another indicator of student performance, but this should not be considered a complete evaluation of the school's success in achieving growth among students.

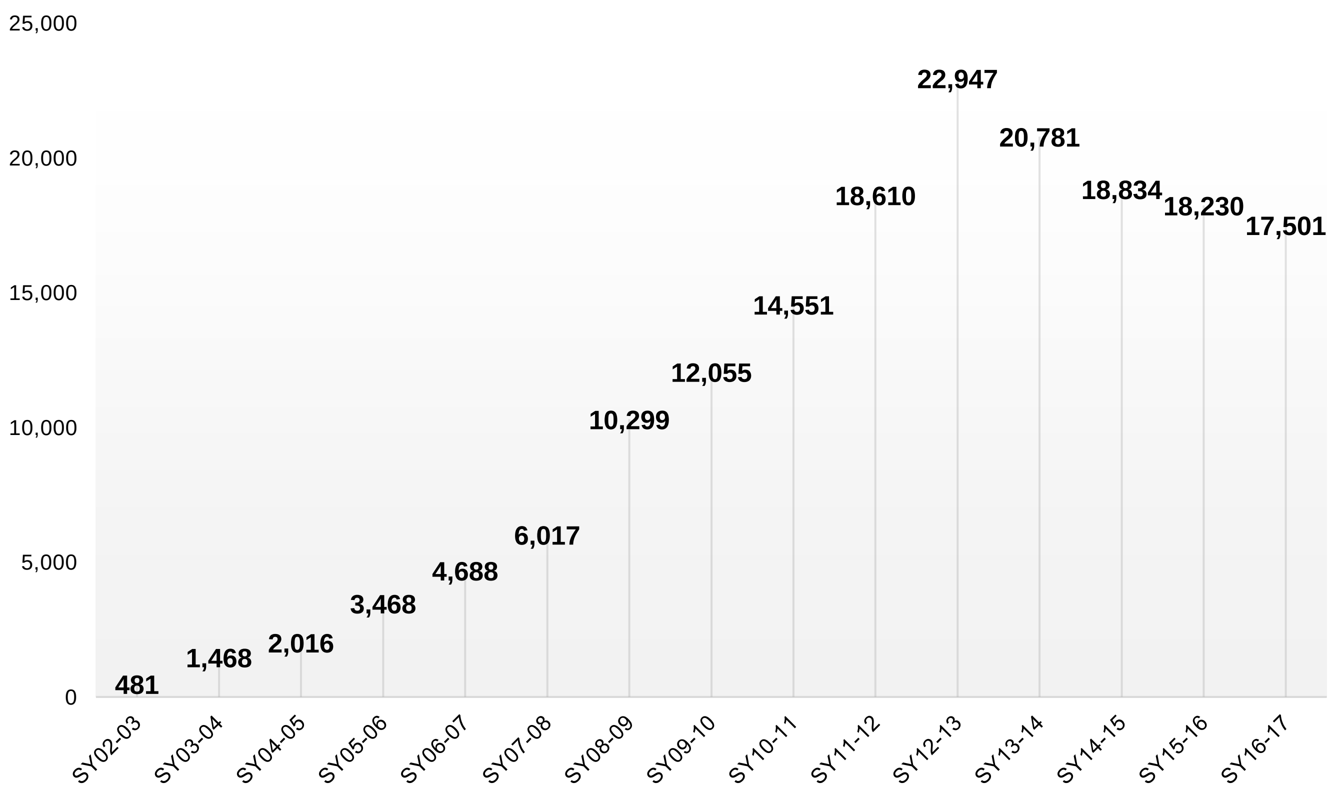
OVERVIEW
of BSU Charter Schools

What are Charter Schools?

Charter schools are independent, state-funded, public schools that are open to all students. Students do not pay tuition to attend these schools, which are designed and operated by educators, parents, and community leaders. In Indiana, charter schools may be authorized by a limited number of entities, such as the executive of a consolidated city or a state, public and private universities offering four-year degrees, and a state-wide authorizing board. Ball State has served as an authorizer since 2002.

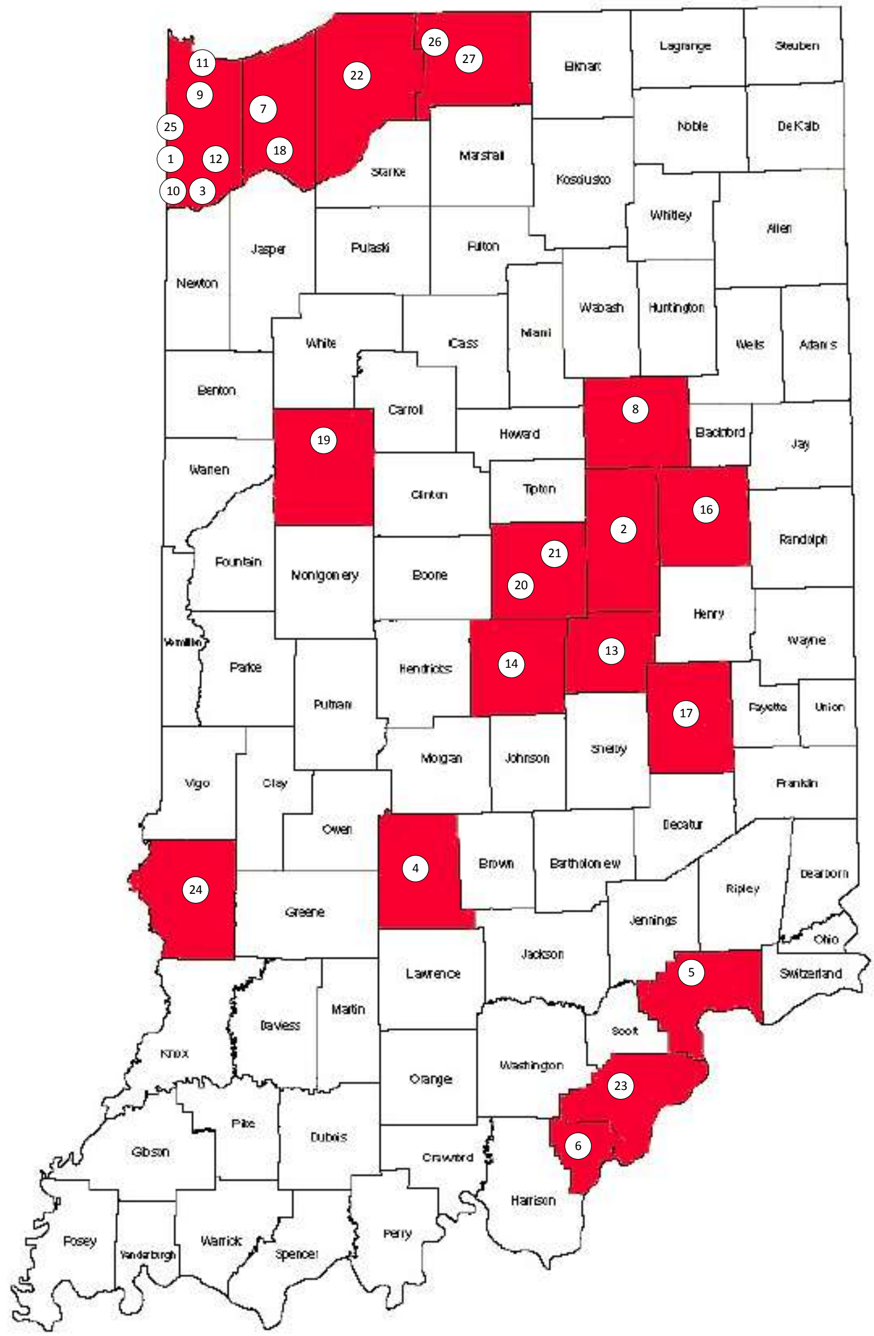
Through these schools, Ball State University helps expand the educational choices available to Indiana students. Each school authorized by the University Similar to public schools, charter schools are held to high academic standards. Each Ball State-sponsored charter school is required to fulfill the conditions set forth in its charter, as well as to achieve the performance standards set forth in Ball State's Performance Frameworks, which serve as the accountability plan for all schools sponsored by Ball State. Charter schools must participate in state testing programs, provide open enrollment to all students, hire certified teachers, publish annual reports, and comply with Indiana Access Laws. The educational programs offered in charter schools are often new and innovative approaches to instruction that can be tailored to the specific needs of students. Charter schools are allowed considerable autonomy through the Indiana Charter Law. In exchange for that autonomy, each school is held to a high level of accountability.

Enrollment History of Ball State University Authorized Charter Schools (2016)



MAP OF BALL STATE CHARTER SCHOOLS

1. 21st Century Charter School at Gary 2005 (Lake)
2. Anderson Preparatory Academy 2008 (Madison)
3. Aspire Charter Academy 2008 (Lake)
4. The Bloomington Project School 2009 (Monroe)
5. Canaan Community Academy 2012 (Jefferson)
6. Community Montessori 2002 (Floyd)
7. Discovery Charter School 2010 (Porter)
8. Dr. Robert H. Faulkner Academy 2008 (Grant)
9. East Chicago Lighthouse Charter School 2006 (Lake)
10. East Chicago Urban Enterprise Academy 2005 (Lake)
11. Gary Lighthouse Charter School 2005 (Lake)
12. Gary Middle College 2012 (Lake)
13. Geist Montessori Academy 2006 (Hancock)
14. Hoosier Academy - Indianapolis 2008 (Marion)
15. Indiana Connections Academy 2012 (Virtual)
16. Inspire Academy 2013 (Delaware)
17. Mays Community Academy 2015 (Rush)
18. Neighbor's New Vista High School 2012 (Porter)
19. New Community School 2002 (Tippecanoe)
20. Options Charter School – Carmel 2004 (Hamilton)
21. Options Charter School – Noblesville 2006 (Hamilton)
22. Renaissance Academy 2007 (La Porte)
23. Rock Creek Community Academy 2010 (Clark)
24. Rural Community Academy 2004 (Sullivan)
25. Thea Bowman Leadership Academy 2003 (Lake)
26. University Heights Preparatory Academy 2012 (Marion)
27. Veritas Academy 2002 (St. Joseph)
28. Xavier School of Excellence 2009 (St. Joseph)



2015-16 STUDENT ENROLLMENT

of BSU Charter Schools

School Name	Enrollment	Attendance Rate	Mobility	# of Students Suspensions	# of Students Expelled	# of students Absent 10% or more, for any reason	% of students with Chronic Absenteeism
21st Century Charter School at Gary	758	93.6%	17.8%	378	13	119	15.7%
Anderson Preparatory Academy	847	95.9%	13%	364	6	54	6.4%
Aspire Charter Academy	701	94.4%	15.9%	271	4	79	11.3%
The Bloomington Project School	277	95.6%	6%	10	0	18	6.5%
Canaan Community Academy	109	95.6%	14.3%	9	2	7	6.4%
Community Montessori Inc	548	95.9%	4.1%	30	1	32	5.8%
Discovery Charter School	506	96.0%	2.5%	12	0	14	2.8%
Dr Robert H Faulkner Academy	129	96.3%	12.3%	0	0	7	5.4%
East Chicago Lighthouse Charter School	431	96.3%	18.5%	0	0	24	5.6%
East Chicago Urban Enterprise Academy	420	95.8%	5.9%	121	1	41	9.7%
Gary Lighthouse Charter School	1497	94.2%	21.9%	162	1	222	14.8%
Gary Middle College	224	63.4%	26.8%	71	1	265	118.3%
Geist Montessori Academy	353	95.0%	14.6%	12	0	19	5.4%
Hoosier Academy – Indianapolis (Virtual School)	3861	98.0%	35.7%	n/a	247	169	4.4%
Hoosier Academy – Indianapolis	240	99.1%	38.5%	14	1	1	0.4%
Indiana Connections Academy	3705	88.2%	41.1%	177	65	1366	36.9%
Inspire Academy	183	94.3%	34.7%	25	1	17	9.3%
Mays Community Academy	115	96.0%	25.4%	1	0	9	7.8%
Neighbors' New Vistas High School	191	76.8%	31%	42	2	148	77.5%
New Community School	212	94.6%	22.5%	37	0	27	17.5%
Options Charter School - Carmel	193	98.3%	21.1%	23	1	6	3.1%
Options Charter School - Noblesville	199	97.6%	21.6%	12	0	16	8.0%
Renaissance Academy Charter School	249	96.6%	1.7%	3	0	8	3.2%
Rock Creek Community Academy	487	96.0%	8%	25	0	27	5.5%
Rural Community Academy	151	96.9%	19.3%	12	0	0	0
Thea Bowman Leadership Academy	1269	95.5%	14.6%	346	3	89	7.0%
Veritas Academy	129	94.3%	23.6%	29	1	18	14.0%
Xavier School of Excellence	249	94.4%	21.3%	133	0	30	12.0%

DIVERSITY OF BSU CHARTER SCHOOLS

Ball State is a leader in the development and promotion of educational innovations and best practices for public schools in Indiana. Serving as Indiana's first postsecondary institution authorizing public charter schools was one way the Ball State University demonstrated its commitment to redefining education and building better communities. Ball State University remains the largest postsecondary institution authorizer in the state. The chart below demonstrates the diversity found in BSU charter schools as compared to traditional public schools in the state of Indiana.

School Type Comparisons

2015-16	Traditional Public Schools		BSU Authorized Charter Schools		
Enrollment	1,131,000		18,230		
Ethnicity	Number	Percent	Number	Percent	Range
Black	136,070	12.0%	5,932	32.54%	0-96.9%
White	788,832	69.7%	9,697	53.2%	0-95.7%
Hispanic	125,637	11.1%	1,581	8.67%	0-25.1%
Multiracial	52,861	4.7%	813	4.46%	1.1-14.2%
Asian	24,456	2.2%	149	0.82%	0-3.7%
American Indian	2,360	0.2%	45	0.25%	0-1.6%
Native Hawaiian/Pacific Island or Other	784	0.1%	1	0.07%	0-0.8%
Lunch (Free/Reduced/Paid)					
Free	446,318	39.5%	8,219	45.1%	0-94.7%
Reduced	79,873	7.1%	1,133	6.2%	0-20.8%
Paid	604,809	53.5%	8,878	48.7%	5.3-100%
Special Education	162,714	14.4%	2,644	14.5%	4.0%-43%
English Language Learner	53,614	4.7%	360	2.0%	0-21.4%

INDIANA'S STATE ACCOUNTABILITY SYSTEM

Ball State University Authorized Charter Schools 2016 PL221 Status

Beginning with the 2011-12 school year, new metrics were used to assign category designations (letter grades) to schools. These new A-F grades were designed to improve transparency by allowing parents and community members to better recognize how well Indiana schools are performing. The A-F model measures proficiency and growth on state assessments, and includes college and career readiness performance indicators for high schools. A more detailed explanation of how the A-F grade is calculated for schools can be found on the IDOE website. http://www.doe.in.gov/accountability/f-accountability

Additionally, a detailed breakdown for each school is provided on their school's COMPASS profile, in the report card under the Accountability Tab. http://compass.doe.in.gov/

SCHOOL NAME	2015-16	2014-15	2013-14	2012-2013	2011-2012	2010-2011	2009-2010
21st Century Charter School at Gary	C	D	D	D		A	A
Anderson Preparatory Academy	C	A	A	D	D	D	B
Aspire Charter Academy	D	D	D	D	C	C	F
The Bloomington Project School	A	A	A	A	C	C	F
Canaan Community Academy	C	*	*	A	Not open	Not open	Not open
Community Montessori	C	D	D	D	D	C	F
Discovery Charter School	B	A	A	A	A	B	Not open
Dr Robert H Faulkner Academy	A	B	B	A	C	A	A
East Chicago Lighthouse	F	D	D	F	D	C	C
East Chicago Urban Enterprise Academy	D	A	A	C	D	F	C
Gary Lighthouse Charter School	C	D	D	F	F	F	C
Gary Middle College	F	**	**	**	Not open	Not open	Not open
Geist Montessori Academy	B	A	A	C	A	A	A
Hoosier Academy - Indianapolis Virtual School	F	F	F	F	F	F	C
Hoosier Academy - Indianapolis	F	C	C	C	B	D	C
Indiana Connections Academy	F	D	D	D	D	B	
Inspire Academy	C	D	D	Not open	Not open	Not open	Not open
Mays Community Academy	No Grade	Not open	Not open	Not open	Not open	Not open	Not open
Neighbors' New Vistas High School	F	**	**	**	Not open	Not open	Not open
New Community School	D	F	F	C	F	C	B
Options Charter School - Carmel	D	D	F	F	F	C	F
Options Charter School Noblesville	F	D	F	F	F	F	F
Renaissance Academy Charter School	B	A	A	A	A	B	A
Rock Creek Community Academy	B	A	A	B	C	D	
Rural Community Academy	C	B	B	A	B	A	A
Thea Bowman Leadership Academy	D	D	D	D	C	C	A
Veritas Academy	C	A	A	D	A	C	C
Xavier School of Excellence	D	D	F	F	C	C	A

* Canaan Community Academy does not have an A-F grade in 2013-14 and 2014-15 due to invalidation of its 2013-14 ISTEP tests

** Gary Middle College and Neighbors' New Vistas High School did not get an A-F grade 2016 because their student population was too small.

INDIANA'S STATE ACCOUNTABILITY SYSTEM

BSU Authorized Charter Schools 2016 ISTEP Results

Corporation Name	ELA Percent Pass	ELA Median Growth	ELA Growth Category	Math Percent Pass	Math Median Growth	Math Growth Category	2014-15 Pass Both Math and ELA Percent
21st Century Charter School at Gary	38.4%	47	Typical	33.1%	60	Typical	22.9%
Anderson Preparatory Academy	52.9%	44	Typical	43.8%	44	Typical	33.5%
Aspire Charter Academy	41.3%	51	Typical	33.6%	33	Low	27.2%
The Bloomington Project School	81.3%	60.5	Typical	73.8%	60	Typical	70.7%
Canaan Community Academy	52.2%	43	Typical	41.3%	23	Low	28.3%
Community Montessori Inc	54.5%	52	Typical	32.5%	44.5	Typical	27.0%
Discovery Charter School	80.0%	57	Typical	77.6%	41	Typical	70.8%
Dr Robert H Faulkner Academy	75.0%	58.5	Typical	76.8%	71	High	64.3%
East Chicago Lighthouse Charter School	47.3%	53	Typical	21.7%	22	Low	17.2%
East Chicago Urban Enterprise Academy	55.1%	47	Typical	37.4%	23	Low	30.1%
Gary Lighthouse Charter School	37.9%	46	Typical	25.6%	50.5	Typical	18.0%
Geist Montessori Academy	68.7%	56	Typical	50.0%	56	Typical	47.6%
Hoosier Academy- Indianapolis Virtual School	39.1%	25	Low	21.2%	15	Low	18.5%
Hoosier Academy – Indianapolis	53.4%	35	Typical	46.2%	36	Typical	38.5%
Indiana Connections Academy	59.8%	42	Typical	37.7%	28	Low	33.4%
Inspire Academy	46.7%	53	Typical	31.9%	44	Typical	23.3%
Mays Community Academy	50.9%	n/a	n/a	51.8%	n/a	n/a	39.3%
New Community School	50.0%	38.5	Typical	41.5%	35	Typical	34.2%
Renaissance Academy Charter School	69.1%	40.5	Typical	58.1%	58.5	Typical	51.1%
Rock Creek Community Academy	63.9%	55	Typical	54.8%	47	Typical	48.7%
Rural Community Schools Inc	58.8%	43	Typical	50.6%	26	Low	42.4%
Thea Bowman Leadership Academy	43.9%	42	Typical	28.6%	28	Low	24.4%
Veritas Academy	42.7%	50	Typical	29.8%	46.5	Typical	25.6%
Xavier School of Excellence	35.3%	54	Typical	17.8%	39	Typical	15.2%

INDIANA'S STATE ACCOUNTABILITY SYSTEM

BSU Authorized Charter Schools 2016 IREAD Results*

Like all public schools, charter schools are required to administer the Indiana Reading Evaluation and Determination (IREAD-3) assessment. The purpose of the IREAD-3 assessment is to measure foundational reading standards developed through grade three. Preliminary statewide 2016 Spring IREAD-3 results show that overall, 83.8% of Indiana public school students passed the IREAD assessment in 2015-16. However, the official passage rate has not been finalized nor made available to Ball State University Office of Charter Schools or the public. Students who do not pass the spring assessment are retested in the summer. A school's final IREAD score is updated following the summer retest. Students who do not pass the summer retest, may be retained in third grade.

	Spring 2015-16			Summer 2015-16		
Corporation Name	**IREAD TEST N**	**IREAD PASS N**	**IREAD Pass %**	**IREAD TEST N**	**IREAD PASS N**	**IREAD Pass %**
21st Century Charter School at Gary	62	42	67.7%	46	60	76.7%
Anderson Preparatory Academy	64	45	70.3%	49	57	86.0%
Aspire Charter Academy	75	63	84.0%	66	76	86.8%
The Bloomington Project School	39	36	92.3%	38	39	97.4%
Canaan Community Academy	13	10	76.9%	13	13	100.0%
Community Montessori Inc	40	34	85.0%	34	40	85.0%
Discovery Charter School	74	67	90.5%	72	74	97.3%
Dr Robert H Faulkner Academy	15	14	93.3%	14	15	93.3%
East Chicago Lighthouse Charter	59	37	62.7%	40	57	70.2%
East Chicago Urban Enterprise Academy	45	35	77.8%	39	45	86.7%
Gary Lighthouse Charter School	91	70	76.9%	78	93	83.9%
Geist Montessori Academy	44	37	84.1%	37	43	86.0%
Hoosier Academy - Indianapolis Virtual School	201	123	61.2%	137	185	74.1%
Hoosier Academy - Indianapolis	20	11	55.0%	18	23	78.3%
Indiana Connections Academy	88	71	80.7%	74	89	83.1%
Inspire Academy	24	20	83.3%	21	24	87.5%
Mays Community Academy	16	12	75.0%	14	16	87.5%
New Community School	24	23	95.8%	22	22	100.0%
Renaissance Academy Charter School	26	22	84.6%	25	27	92.6%
Rock Creek Community Academy	40	36	90.0%	35	37	94.6%
Rural Community Schools Inc	16	14	87.5%	15	16	93.8%
Thea Bowman Leadership Academy				89	102	87.3%
Veritas Academy	17	13	76.5%	9	12	75.0%
Xavier School of Excellence	29	12	41.4%	17	27	63.0%

END OF COURSE ASSESSMENTS AND GRADUATION RATES

BSU Authorized Charter Schools 2016

2016 END OF COURSE ASSESSMENTS

The End of Course Assessments (ECAs) are tests developed specifically for students completing their high school level instruction in Algebra I, Biology I, or English 10. Passing both Algebra I and English 10 are required to meet the graduation testing requirement. Students are not required to pass the Biology ECA in order to graduate. Students can retake the ECAs once each semester.

School Name	2015-16 % Pass Both English 10 and Algebra 1	2015-16 % Pass English 10	2015-16 % Pass Algebra 1
21st Century Charter School at Gary	37.1%	40.3%	*
Anderson Preparatory Academy	84.5%	93.1%	80%
Community Montessori	67.6%	83.8%	*
Gary Lighthouse Charter School	46.8%	53.8%	7.7%
Gary Middle College	19.6%	30.4%	35.7%%
Hoosier Academy – Indianapolis Virtual School	35.0%	53.8%	9.5%
Hoosier Academy - Indianapolis	42.1%	54.5%	*
Indiana Connections Academy	56.8%	76.3%	23.0%
Neighbors' New Vistas High School	22.2%	39.5%	18.8%
Options Charter School - Carmel	36.8%	50.0%	*
Options Charter School Noblesville	40.0%	52.6%	38.5%
Rock Creek Community Academy	70.0%	70.0%	*
Thea Bowman Leadership Academy	33.3%	42.9%	16.7%
Indiana Statewide	**67.0%**	**71.5%**	**36.9%**

2016 GRADUATION RATES

State law (IC 20-26-13) indicates that the graduation rate is the percentage of students within a cohort who graduate during their expected graduation year. The expected graduation year is defined as three years after a student is first considered to have entered grade 9.

The non-waiver rate excludes those graduates who received a diploma with a waiver and have not met the basic expectation that all students pass the state's ECA Graduation Examinations before exiting high school with a diploma. Students can receive graduation waivers in three ways: 1) by successfully completing Core 40 coursework; 2) by demonstrating to the satisfaction of the high school that they have met the achievement standard measured by the Graduation Examination through other means; or, 3) by completing an internship and a workforce readiness assessment.

School Name	2016 In Cohort N	2016 Total Graduate N	2016 Total Graduation Rate	2016 Non-Waiver Graduate N	2016 Non-Waiver Graduation Rate	2016 Waiver Graduate N	2016 Waiver Graduation Rate
21st Century Charter School at Gary	35	31	91.4%	28	80.0%	3	9.7%
Anderson Preparatory Academy	59	53	89.8%	51	86.4%	2	3.8%
Community Montessori	33	30	90.9%	24	72.7%	6	20%
Gary Lighthouse Charter School	104	102	98.1%	89	85.6%	13	12.7%
Gary Middle College	99	27	27.3%	25	25.3%	2	7.4%
Hoosier Academy Virtual Charter School	538	122	22.7%	88	16.4%	34	27.9%
Hoosier Academy - Indianapolis	15	8	53.3%	7	46.7%	1	12.5%
Indiana Connections Academy	775	340	43.9%	300	38.7%	40	11.8%
Neighbors' New Vistas High School	100	33	33.0%	33	33.0%	0	0
Options Charter School - Carmel	39	14	35.9%	11	28.2%	3	21.4%
Options Charter School Noblesville	63	14	22.2%	13	20.6%	1	7.2%
Rock Creek Community Academy	23	21	91.3%	20	87.0%	1	4.8%
Thea Bowman Leadership Academy	101	96	95.0%	81	80.2%	15	15.6%

* Due to federal privacy laws, student performance data may not be displayed for any group of fewer than 10 students.

DIPLOMA TYPES AND DROP OUT DATA

BSU Authorized Charter Schools 2016

The Indiana General Assembly made completion of Core 40 a graduation requirement for all students beginning with those who entered high school in the fall of 2007. The legislation includes an opt-out provision for parents who determine their students could receive a greater benefit from the General Diploma. The legislation also made Core 40 a minimum college admission requirement for the state's public four-year universities beginning in the fall of 2011.

	2015-16 Diploma Quality						**2015-16 Drop Out Data**	
School Name	**Core %**	**Core #**	**Honors %**	**Honors #**	**General %**	**General #**	**Drop Out %**	**Drop Out #**
21st Century Charter School at Gary	83.9%	26	16.1%	5	0	0	2.9%	1
Anderson Preparatory Academy	58.5%	31	41.5%	22	0%	0	1.7%	1
Community Montessori	63.3%	19	30.0%	9	6.7%	2	0	0
Gary Lighthouse Charter School	82.4%	84	15%	16	2.0%	2	0	0
Gary Middle College	100%	27	0%	0	0%	0	46.5%	46
Hoosier Academy Virtual School	76.2%	93	7.4%	9	16.4%	20	60.4%	325
Hoosier Academy - Indianapolis	*	*	*	*	*	*	33.3%	5
Indiana Connections Academy*	83.5%	284	9.1%	31	7.4%	25	28.0%	217
Neighbors' New Vistas High School	58.6%	27	0	0	41.3%	19	31%	93
Options Charter School - Carmel	21.4%	3	0%	0	78.6%	11	10.3%	4
Options Charter School Noblesville *	42.9%	6	0%	0	57.1%	8	17.5%	11
Rock Creek Community Academy	61.9%	13	38.1%	8	0	0	0	0
Thea Bowman Leadership Academy	65.6%	63	28.1%	27	6.3%	6	0	0
Ball State Schools	75.0%	676	14.0%	127	11.0%	93	44.0%	703
State	49.9%	35,179	37.9%	26,699	12.2%	8,612	4.0%	3,173

* Due to federal privacy laws, student performance data may not be displayed for any group of fewer than 10 students.

NORTHWEST EVALUATION ASSOCIATION-MAP

Performance Categories

Northwest Evaluation Association (NWEA)

The Northwest Evaluation Association (NWEA), a nonprofit organization, has partnered with school corporations and educational agencies across the nation to provide comprehensive assessment since 1977. More than two million students in the United States participate in NWEA assessments each year; providing an ample body of reference data for achievement norms. With a variety of support services, resource materials, and in-depth training, NWEA is a leader in longitudinal research for student achievement and growth and school improvement. In keeping with the NWEA mission to help all students learn, the organization uses assessment data to provide instructional tools for educators. Test results are made available for immediate use, with detailed reports and interpretation of student performance. Each Ball State-authorized charter school has administered the Measure of Academic Progress (MAP) standardized test in the fall and the spring. Growth rates are determined by the change in scores from fall to spring. Target growth rates are individualized, based upon the average for comparison students in the normal group who received a similar score. The target rate for one student may not be the same as the target rate for another. The percentage of students meeting their target growth rate for each school includes only those students present for both the fall and spring testing. This is the eighth year in which NWEA assessments are part of the requirement for accountability reporting. This data provides another snapshot of student performance that is focused specifically on student growth.

NWEA

Fall 2015 – Spring 2016

Note, in the below chart, 50% of students meeting their growth target would be typical growth on NWEA.

School Name	% of Students meeting reading growth target	% of Students meeting language arts growth target	% of Students meeting math growth target
21st Century Charter School at Gary	52.0%	48.6%	51.6%
Anderson Preparatory Academy	52.0%	42.1%	53.4%
Aspire Charter Academy	49.1%	**	45.6%
The Bloomington Project School	57.8%	57.8%	60.7%
Canaan Community Academy	51.7%	**	62.0%
Community Montessori	57.0%	57.4%	46.4%
Discovery Charter School	66.5%	59.5%	51.3%
Dr Robert H Faulkner Academy	65.7%	66.7%	67.7%
East Chicago Lighthouse Charter School	51.9%	**	40.1%
East Chicago Urban Enterprise Academy	37.6%	46.2%	41.8%
Gary Lighthouse Charter School	41.0%	**	42.4%
Gary Middle College	**	**	**
Geist Montessori Academy	68.8%	58.4%	57.6%
Hoosier Academy - Indianapolis	59.5%	**	49.3%
Hoosier Academies Virtual Charter School	42.0%	**	36.3%
Indiana Connections Academy	*	*	*
Inspire Academy	50.6%	63.0%	54.6%
Mays Community Academy	24.6%	20.2%	37.4%
Neighbors' New Vistas High School	*	*	*
New Community School	42.8%	55.8%	39.3%
Options Charter School - Carmel	**	**	**
Options Charter School Noblesville	**	**	**
Renaissance Academy Charter School	60.0%	48.8%	65.3%
Rock Creek Community Academy	49.2%	61.8%	46.6%
Rural Community Academy	59.2%	44.5%	37.2%
Thea Bowman Leadership Academy	38.4%	38.3%	27.3%
Veritas Academy	54.5%	44.0%	61.0%
Xavier School of Excellence	36.6%	47.2%	39.6%

* Indiana Connections Academy and Neighbors' New Vistas High School were exempt from having to administer the NWEA Assessment.

** Data not available.

2015-16 Minority Students, Free and Reduced Lunch and Special Ed Services

School Name	% of Minority Students	Received Free Lunch	% Received Free Lunch	Received Reduced Lunch	% Reduced Lunch	Identified for Special Ed Svcs
21st Century Charter School at Gary	100%	718	94.70%	0	0%	11.90%
Anderson Preparatory Academy	39.3%	454	53.90%	59	7.00%	17.60%
Aspire Charter Academy	99.9%	612	87.30%	51	7.40%	11.00%
The Bloomington Project School	22.7%	63	22.70%	34	12.20%	22.40%
Canaan Community Academy	5.5%	48	44.00%	3	2.80%	35.80%
Community Montessori	11.3%	84	15.30%	57	10.40%	19.90%
Discovery Charter School	26.1%	92	18.20%	28	5.50%	13.60%
Dr Robert H Faulkner Academy	60.5%	43	33.30%	12	9.30%	5%
East Chicago Lighthouse Charter School	99.5%	364	84.50%	18	4.20%	11.40%
East Chicago Urban Enterprise Academy	99.3%	328	78.00%	23	5.50%	7.10%
Gary Lighthouse Charter School	98.6%	1328	88.70%	61	4.10%	10.40%
Gary Middle College	99.6%	207	92.40%	0	0%	4.90%
Geist Montessori Academy	22.9%	0	0%	0	0%	17.30%
Hoosier Academy - Indianapolis Virtual School	27.9%	42	17.50%	5	2.10%	16.30%
Hoosier Academy - Indianapolis	22.3%	789	20.40%	161	4.20%	13.40%
Indiana Connections Academy	19.3%	1252	33.8	392	10.60%	15.10%
Inspire Academy	51.9%	128	69.90%	20	10.90%	13.70%
Mays Community Academy	4.3%	47	40.90%	10	8.70%	17.40%
Neighbors' New Vistas High School	58.6%	107	56.00%	8	4.20%	20.90%
New Community School	21.7%	76	35.80%	44	20.80%	17.00%
Options Charter School - Carmel	28.5%	45	23.30%	8	4.10%	25.40%
Options Charter School Noblesville	21.6%	43	21.60%	3	1.50%	29.10%
Renaissance Academy Charter School	22.1%	38	15.30%	7	2.80%	12.00%
Rock Creek Community Academy	22.2%	98	20.10%	19	3.90%	23.80%
Rural Community Academy	7.9%	77	51.00%	20	13.20%	43.00%
Thea Bowman Leadership Academy	99.8%	873	76.70%	65	5.10%	9.50%
Veritas Academy	85.3%	47	36.40%	12	9.30%	12.40%
Xavier School of Excellence	90.4%	216	86.70%	13	5.20%	18.90%

2015-16 School Non-Renewals

During the 2015-16 school year, 11 schools were up for renewal. All 11 schools requested renewal. Five schools, Anderson Preparatory Academy, East Chicago Urban Enterprise Academy, Geist Montessori, Options Charter School-Carmel and Rural Community Academy, received 5-year renewal contracts. Three schools, Aspire Charter Academy, East Chicago Lighthouse Charter School and Indiana Connections Academy, received 3-year renewal contracts. One school, Gary Lighthouse Charter School, received a one-year renewal contract. One school, Hoosier Academy – Indianapolis, restructured its school and received a 5-year renewal contract for its hybrid school, a 2-year renewal contract for its virtual school and a 3-year charter contract for a new virtual alternative 7-12 high school. The charter agreement for Thea Bowman Leadership Academy was not renewed. On January 14, 2016, the school was advised of the University's decision not to renew its charter agreement. This decision was based upon the continued poor academic, financial and organizational performance of the school. The school appealed the University's non-renewal decision and a Reconsideration Hearing was scheduled. However, on February 22, 2016, prior to that Reconsideration hearing, the University received notice that the School Board wished to rescind its appeal of the non-renewal decision. The School Board subsequently submitted charter applications to the Indiana Charter School Board and Trine University. While its charter application to the Indiana Charter School Board was not approved, the charter application submitted to Trine University was approved and effective July 1, 2016, the school was authorized by Trine University.

The Executive Director of the Office of Charter Schools issues notice of the University's intent to renew or non-renew the Charter by January 15 last academic year before expiration of the then current term of the Charter. The Organizer may appeal the decision of the Executive Director not to renew the Organizer's charter. In such an event, following receipt and review of the Hearing Panel's recommendation, the President of the University shall issue final notice of the University's intent to renew or non-renew the Charter by March 1 of the same academic year.

Academic, Financial and Organizational Performance Frameworks

OCS has developed and adopted national principles and standards for quality charter school authorizing in accordance with IC 20-24-2.2-1.5. These standards are reflected in the Academic, Financial and Organizational Performance Frameworks which are the basis for school evaluation and are incorporated into the charter contract.

The Academic Performance Framework measures:

Student Progress Over Time

- Growth
- Growth of Lowest-Performing Students
- NWEA meeting reading growth target
- NWEA meeting LA target
- NWEA meeting math target
- Indiana Department of Education Median Growth Student Growth Percentile

Student Achievement

- Proficiency Status
- Proficiency Comparison: Home District
- Proficiency Comparison: Similar Schools
- Proficiency Comparison: Subgroup Proficiency
- ISTEP - passing math
- ISTEP - passing ELA
- ISTEP - passing both
- Indiana Department of Education Ranking of Schools taking ISTEP within the State, County and Local Districts
- Schools serving 3rd Grade - Percent passing the State I-READ Test
- Indiana Department of Education Median Growth Student Growth Percentile

State, Federal and Ball State Accountability

- State Accountability System
- AYP
- A-F State Accountability System
- Results under Practices Policies and Procedures for the Monitoring and Renewal of Charter Schools Authorized by Ball State University
- Charter Proposal

Post-Secondary Readiness

- SAT/ACT Performance and Participation 2.4.a.1 and 2.4.a.2
- High School Graduation 2.4.b
- Post-Secondary College Enrollment/Employment 2.4.c and 2.4.d

Academic, Financial and Organizational Performance Frameworks

The Financial Performance Framework measures:

Near Term Indicators

- Current Ratio
- Cash to Current Liabilities
- Unrestricted Days Cash On Hand
- Enrollment Variance
- Default on Loans

Sustainability Indicators

- Total Margin
- Debt to Asset Ratio
- Cash Flow
- Debt Service Coverage Ratio

Academic, Financial and Organizational Performance Frameworks

The Organizational Performance Framework measures:

Education Reform

- Essential Terms of Charter
- Education Requirements
- Special Needs Populations (SPED, ELL)

Financial Management and Oversight

- Reporting and Compliance
- Generally Accepted Accounting Principles

Governance and Reporting

- Governance Requirements
- Management Oversight
- Reporting Requirements

Additional Legal Obligations

- Students and Employees
  - Student Rights
  - Attendance
  - Credentialing
  - Employee Rights
  - Background Checks
- School Environment
  - Facilities and Transportation
  - Health and Safety
  - Information Handling
- Additional Obligations

2015-16 Administrative Fees Received

Ball State University receives an administrative fee of three percent (3%) of the total amount the organizer receives during the state fiscal year from basic tuition support (as defined in IC 20-43-1-8) as permitted pursuant to pursuant to IC 20-24-7-7. The chart below reflect the amounts of those fees collected from each of its charter schools during the 2015-16 fiscal year.

21st Century Charter School at Gary	$101,488.28
Anderson Preparatory Academy	$114,216.21
Aspire Charter Academy	$96,901.31
The Bloomington Project School	$37,786.47
Canaan Community Academy	$14,876.19
Community Montessori	$74,269.08
Discovery Charter School	$68,917.14
East Chicago Lighthouse Charter School	$59,057.64
East Chicago Urban Enterprise Academy	$57,679.33
Dr. Robert H. Faulkner Academy	$17,496.23
Gary Lighthouse Charter School	$205,063.62
Gary Middle College	$23,326.19
Geist Montessori Academy	$48,477.92
Hoosier Academy - Indianapolis	$33,825.27
Hoosier Academy – Indianapolis Virtual School	$457,680.52
Indiana Connections Academy	$471,247.86
Inspire Academy	$24,375.57
Mays Community Academy	$15,037.61
Neighbors' New Vistas High School	$26,335.59
New Community School	$28,460.91
Options Charter School - Carmel	$25,480.71
Options Charter School Noblesville	$28,076.00
Renaissance Academy Charter School	$33,899.81
Rock Creek Community Academy	$66,893.09
Rural Community Academy	$19,774.87
Thea Bowman Leadership Academy	$172,839.76
Veritas Academy	$17,868.81
Xavier School of Excellence	$32,931.22
Total 2015-16 Administrative Fees	**$2,374,283.21**

2015-16 EXPENDITURES

The Office of Charter Schools (OCS) has a staff of 6 full-time employees. In addition, the OCS reimburses for expenses the women and men who take time away from their normal activities to review the charter school proposals. These individuals are not employees of the University. The university provides office space, access to university counsel, media consultation and other university resources and personnel. In addition, it provides the following benefits to all of its schools:

- Board Training for all its schools
- NWEA Testing for all its schools
- NWEA Regional Workshops (*i.e.*, Regional Growth & Goals Workshop, Climbing the Data Ladder Workshop, etc.)
- Annual Fiscal Audits
- Academic Site Visits
- An innovative web-based file/data handling system
- Staff support with expertise in the area of finance and special education which is a unique attribute among authorizers in Indiana

The chart below reflect the amounts of those expenditures during the 2015-16 fiscal year:

Expenditure	Amount
Salaries (2015-16) 6 full-time and 1 ½ time staff; 3 student workers; 1 graduate assistant	$635,648.17
Benefits	$148,736.06
Advance Education Inc - Continuous Improvement Mid/End-Term Academic Reviews and Workshops	$33,416.54
Board Training	$6,485.00
Books Acquisitions	$826.00
Charter Proposal Review Panel	$1,745.74
Charter School Academic Performance Renewal Review	$13,500.00
Charter School Organizational/Governance Renewal Audits	$82,500.00
Computer Rental, Repair and Maintenance	$543.60
Conferences/Meetings Facility Rentals and Meals	$11,798.89
Dues and Membership Fees	$725.00
Donovan, P.C./Fitzgerald Isaac - Charter School Annual Financial Audits	$287,420.00
Indiana Charters - Workshop and Consulting Services	$2,001.66
Indiana Network of Independent Schools	$195,000.00
Indiana State University Foundation-Principal Leadership Institute (including mileage and hotel reimbursement)	$5,259.02
Educational Resources - 2015-16 NWEA Testing and Workshop Training Sessions	$156,971.50
Office Supplies	$2,701.97
Postage, FedEx, UPS charges	$718.97
Printing	$1,849.09
Special Education Training Workshops	$3,000.00
Telephone and Network Charges	$2,477.16
Travel	$28,796.95
Overhead and Support Services	$776,767.00
Total 2015-16 Expenditures	**$2,398,888.32**

ACKNOWLEDGEMENTS

BSU Office of Charter Schools

Ball State University Office of Charter Schools acknowledges the following organizations for their contribution in improving authorizing practices at the Office of Charter Schools.

National Association of Charter School Authorizers

Indiana Public Charter Schools Association (IPCSA)

Indiana Department of Education (IDOE)

21st CENTURY CHARTER SCHOOL @ GARY, INC.

FINANCIAL STATEMENTS
June 30, 2016 and 2015

21ST CENTURY CHARTER SCHOOL @ GARY, INC.

FINANCIAL STATEMENTS
June 30, 2016 and 2015

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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 statements of financial position as of June 30, 2016 and 2015, 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.

Auditors' 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 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, 2016 and 2015, 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 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 November 4, 2016 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
November 4, 2016

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 542,186	$ 293,928
Restricted cash	1,419,352	1,423,270
Grants and accounts receivable	417,963	232,673
Prepaid expenses	53,806	48,546
Due from related parties (Note 4)	75,887	81,435
Bond issue costs	580,435	644,549
Property and equipment, net (Note 2)	11,494,456	11,948,213
Total assets	$ 14,584,085	$ 14,672,614
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 792,090	$ 790,837
Due to related parties (Note 4)	19,542	21,879
Bonds and notes payable (Note 3)	14,035,000	13,325,000
Total liabilities	14,846,632	14,137,716
NET ASSETS		
Unrestricted	(262,547)	534,898
Total net assets	(262,547)	534,898
Total liabilities and net assets	$ 14,584,085	$ 14,672,614

See accompanying notes to financial statements.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2016 and 2015

	2016	2015
Public support and revenues		
Federal grants	$ 1,500,022	$ 2,380,598
State and local grants	6,387,274	5,645,096
Education supporting services	149,511	24,465
Rental income	300,000	300,000
Loss on disposal of equipment	-	(3,648)
Total revenue and support	8,336,807	8,346,511
Expenses		
Federal grant funded program activities	1,508,919	2,238,461
State and local grant funded program activities	4,373,489	3,381,303
School operations and building services	2,624,374	2,625,717
Education supporting services	616,586	571,423
Total program expenses	9,123,368	8,816,904
Management and general	10,884	8,336
Total expenses	9,134,252	8,825,240
Change in net assets	(797,445)	(478,729)
Net assets at beginning of year	534,898	1,013,627
Net assets, end of year	$ (262,547)	$ 534,898

See accompanying notes to financial statements.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (797,445)	$ (478,729)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	707,739	722,523
Loss on disposal of property and equipment	-	3,648
Change in assets and liabilities:		
Grants and accounts receivable	(185,290)	249,948
Prepaid expenses	(5,260)	(29,252)
Due to/from related parties	3,211	(257,128)
Accounts payable and accrued other expenses	1,253	226,928
Net cash from operating activities	(275,792)	437,938
Cash flows from investing activities		
Purchases of property and equipment	(189,868)	(372,387)
Proceeds from restricted cash	3,918	386,383
Net cash from investing activities	(185,950)	13,996
Cash flows from financing activities		
Proceeds from issuance of note payable	900,000	-
Principal payments on bonds and notes payable	(190,000)	(196,254)
Net cash used by financing activities	710,000	(196,254)
Net change in cash and cash equivalents	248,258	255,680
Cash and cash equivalents, beginning of year	293,928	38,248
Cash and cash equivalents, end of year	$ 542,186	$ 293,928
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 822,338	$ 834,588

See accompanying notes to financial statements.

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 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, 2016 and 2015.

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. Bank balances may periodically exceed FDIC insured limits. 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, 2016 and 2015. 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.

(Continued)

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, 2016 and 2015, 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, 2016 and 2015 was $235,759 and $171,745.

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, 2016 and 2015 were approximately $13,221,000 and $13,409,000, respectively.

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, 2016 and 2015.

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, 2016 and 2015.

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 2016 and 2015, expenses totaling $34,712 and $28,264 were incurred for advertising.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2016, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2016. Management has performed their analysis through November 4, 2016, the date the financial statements were issued.

NOTE 2 - PROPERTY AND EQUIPMENT

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

	2016	2015
Land	$ 296,500	$ 296,500
Building and building improvements	11,435,193	11,407,665
Equipment	2,567,335	2,408,784
	14,299,028	14,112,949
Less: accumulated depreciation	(2,804,572)	(2,164,736)
	$ 11,494,456	$ 11,948,213

Depreciation expense for the years ended June 30, 2016 and 2015 were $643,625 and $650,707, respectively.

(Continued)

NOTE 3 – BONDS AND NOTES PAYABLE

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

	2016	2015
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. Principal payments begin on February 28, 2018.	$ 5,525,000	$ 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. Principal payments begin on February 28, 2034.	7,355,000	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.	255,000	445,000
Note payable to State of Indiana to support charter school operations, payable in semi-annual installments of $45,000, plus interest computed at 1.00%, through maturity in July 2026.	900,000	-
Total bonds and notes payable	$14,035,000	$13,325,000

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

2017	$	295,000
2018		305,000
2019		320,000
2020		335,000
2021		350,000
Thereafter		12,430,000
	$	14,035,000

Total interest expense during the years ended June 30, 2016 and 2015 were $822,651 and $830,843, respectively. The School has various financial and nonfinancial covenants associated with the debt obligations, for which they reported compliance as of June 30, 2015. At June 30, 2016, the School was not in compliance with the fund balance and minimum cash on hand covenants. The School obtained a waiver from the bondholder through June 30, 2017.

(Continued)

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, IT support, payroll and accounting services provided. During the years ended June 30, 2016 and 2015, the School paid GEOF fees of $495,169 and $550,000. 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, 2016 and 2015, the School has a payable to GEOF for $19,542 and $21,879 for various transactions and a receivable from GEOF in the amount of $75,887 and $81,435 for overpayment of administrative fees,

The School leases space to Gary Middle College, Inc. which expires on June 30, 2017. Rent income totaled $300,000 for each of the years ended June 30, 2016 and 2015. At June 30, 2016 and 2015, the School had a receivable balance in the amount of $27,229 and $1,988 due from Gary Middle College, Inc. and a payable to Gary Middle College, Inc. in the amount of $4,850 and $1,008, respectively.

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 $110,938 and $95,701 for the years ended June 30, 2016 and 2015, respectively.

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 years ended June 30, 2016 and 2015.

The School participates in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The School employees are required to contribute three percent of their annual covered salary. The School is required to contribute an actuarially determined rate determined annually for PERF and TRF. The School's expense for the years ended June 30, 2016 and 2015 was $245,292 and $174,205, respectively.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

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 2014-2015	$ 1,832
Title I Grants to Local Educational Agencies	84.010	FY 2015-2016	1,065,971
Total for Title I Grants to Local Educational Agencies			1,067,803
Special Education -- Grants to States	84.027	FY 2015-2016	110,237
Improving Teacher Quality State Grants (Title II)	84.367	FY 2014-2015	108,640
School Improvement Grants	84.377	FY 2014-2015	222,242
Total Expenditures of Federal Awards			$ 1,508,922

See accompanying note to the Schedule of Expenditures of Federal Awards.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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*

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

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 21st Century Charter School @ Gary, Inc. (the School), which comprise the statement of financial position as of June 30, 2016, and the related statement 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 4, 2016.

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.

(Continued)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis. Indiana
November 4, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited 21st Century Charter School @ Gary, Inc.'s (the School) compliance with the types of compliance requirements described in the *OMB Uniform Guidance* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2016. The School's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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, the School 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, 2016.

(Continued)

Report on Internal Control Over Compliance

Management of the 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 4, 2016

Section 1 – Summary of Auditor's Results

Financial Statements

Type of report the audit issued on whether the Financial statements audited were prepared In accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	__X__ No
Significant deficiencies identified 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 federal programs:		
Material weakness(es) identified?	_____ yes	__X__ No
Significant deficiency(ies) identified?	_____ yes	__X__ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	__X__ No

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? __X__ yes _____ no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Findings and Questioned Costs

None reported.

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

Indiana State Board of Accounts Compliance Report of 21st Century Charter School @ Gary. 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 addressing is *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools.*

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

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

DONOVAN
CPAs | ADVISORS

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CPAs | ADVISORS

Independent Auditors' Report

The Board of Directors
Central Indiana Military Academy, Inc.
d/b/a Anderson Preparatory Academy
3205 West 25th Street
Anderson, IN 46011

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, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses 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.

Auditors' 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 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 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 Central Indiana Military Academy, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

August 25, 2016
Indianapolis, Indiana

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 719,964	$ 711,807
Grants receivable	-	38,641
Prepaid expenses	43,837	34,164
Total current assets	763,801	784,612
PROPERTY AND EQUIPMENT		
Land	320,000	320,000
Buildings and improvements	3,012,555	2,961,081
Furniture and equipment	1,476,034	1,542,405
Textbooks	143,963	137,197
Vehicles	41,750	41,750
Less: accumulated depreciation	(1,749,104)	(1,802,365)
Property and equipment, net	3,245,198	3,200,068
TOTAL ASSETS	$ 4,008,999	$ 3,984,680
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 135,628	$ 128,902
Current portion of capital lease obligations	59,950	160,385
Accounts payable and accrued expenses	295,555	648,245
Refundable advances	19,485	-
Total current liabilities	510,618	937,532
LONG-TERM LIABILITIES		
Notes payable, net of current portion	1,691,781	1,827,421
Capital lease obligations, net of current portion	119,886	89,954
Total long-term liabilities	1,811,667	1,917,375
Total liabilities	2,322,285	2,854,907
NET ASSETS		
Unrestricted	1,595,915	1,039,591
Temporarily restricted	90,799	90,182
Total net assets	1,686,714	1,129,773
TOTAL LIABILITIES AND NET ASSETS	$ 4,008,999	$ 3,984,680

See independent auditors' report and accompanying notes to financial statements

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
State education support	$ 5,456,238	$ -	$ 5,456,238	$ 5,451,496	$ -	$ 5,451,496
Grant revenue	1,091,099	-	1,091,099	749,409	-	749,409
Student fees	135,445	80,149	215,594	124,644	79,862	204,506
Contributions	47,869	-	47,869	19,987	-	19,987
Fundraising and other income	146,313	102,711	249,024	124,969	110,815	235,784
Net assets released from restrictions	182,243	(182,243)	-	173,586	(173,586)	-
Total revenue and support	7,059,207	617	7,059,824	6,644,091	17,091	6,661,182
EXPENSES						
Program services	5,282,006	-	5,282,006	5,486,417	-	5,486,417
Management and general	1,220,877	-	1,220,877	1,174,077	-	1,174,077
Total expenses	6,502,883	-	6,502,883	6,660,494	-	6,660,494
CHANGE IN NET ASSETS	556,324	617	556,941	(16,403)	17,091	688
NET ASSETS, BEGINNING OF YEAR	1,039,591	90,182	1,129,772	1,055,994	73,091	1,129,084
NET ASSETS, END OF YEAR	$ 1,595,915	$ 90,799	$ 1,686,713	$ 1,039,591	$ 90,182	$ 1,129,772

See independent auditors' report and accompanying notes to financial statements

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 2,940,636	$ 605,447	$ 3,546,083	$ 3,159,388	$ 613,483	$ 3,772,871
Employee benefits	572,495	124,840	697,335	594,534	106,972	701,506
Staff development	24,762	5,430	30,192	15,002	5,383	20,385
Professional services	278,705	194,171	472,876	265,727	118,397	384,124
Property rental and maintenance	274,846	-	274,846	273,862	-	273,862
Authorizer oversight fees	-	124,051	124,051	-	112,840	112,840
Transportation	16,051	-	16,051	18,799	-	18,799
Classroom, kitchen and office supplies	393,276	26,332	419,608	320,683	21,546	342,229
Occupancy	354,442	-	354,442	398,575	-	398,575
Depreciation	287,230	-	287,230	297,885	-	297,885
Interest	104,031	-	104,031	105,035	5,699	110,734
Insurance	-	109,105	109,105	-	120,343	120,343
Other	35,532	31,501	67,033	36,927	69,414	106,341
Total functional expenses	$ 5,282,006	$ 1,220,877	$ 6,502,883	$ 5,486,417	$ 1,174,077	$ 6,660,494

See independent auditors' report and accompanying notes to financial statements

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 556,941	$ 688
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	287,230	297,885
Changes in certain assets and liabilities		
Grants receivable	38,641	1,117
Prepaid expenses	(9,673)	36,392
Accounts payable and accrued expenses	(352,690)	169,852
Refundable advances	19,485	-
Net cash provided by operating activities	539,934	505,934
INVESTING ACTIVITIES		
Purchases of property and equipment	(235,760)	(504,348)
FINANCING ACTIVITIES		
Principal reduction of capital lease obligations	(167,103)	(166,616)
Proceeds from notes payable	-	198,310
Principal repayment of notes payable	(128,914)	(111,853)
Net cash used in financing activities	(296,017)	(80,159)
NET CHANGE IN CASH	8,157	(78,573)
CASH, BEGINNING OF YEAR	711,807	790,380
CASH, END OF YEAR	$ 719,964	$ 711,807

	2016	2015
SUPPLEMENTAL INFORMATION		
Property and equipment obtained under capital leases	$ 96,600	$ 107,052
Cash paid for interest	104,031	110,734

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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 serving grades kindergarten through twelve 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.

Financial Statement Presentation – The School reports its financial position and activities according to two classes of net 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.

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. Therefore, 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 programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

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.

NOTE 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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

Property and Equipment – Purchases of 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 40 years
Furniture and equipment	3 years
Textbooks	4 years
Vehicles	5 years

Subsequent Events – The School evaluated subsequent events through August 25, 2016, 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 require.

NOTE 2 – 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 lender’s prime rate. There were no advances outstanding on the line of credit as of June 30, 2016 and 2015.

NOTE 3 – NOTES PAYABLE

Notes payable at June 30, 2016 and 2015 was comprised of:

	2016	2015
Mortgage loan payable to MainSource Bank, payable in monthly installments of $4,214 including interest at 4.85% per annum (adjustable annually beginning September 2019) through July 2026, secured by a mortgage on School facilities and all business assets	$ 401,837	$ 431,785
Mortgage loan payable to MainSource Bank, payable in monthly installments of $3,224 including interest at 4.85% per annum (adjustable annually beginning September 2019) through March 2029, secured by a mortgage on School facilities and all business assets	357,486	384,479
Mortgage loan payable to MainSource Bank, payable in monthly installments of $7,341 including interest at 4.85% per annum (adjustable annually beginning August 2019) through August 2026, secured by a mortgage on School facilities and all business assets	703,788	755,784
Mortgage loan payable to MainSource Bank, payable in monthly installments of $3,761 including interest at 4.85% per annum (adjustable annually beginning August 2019) through July 2026, secured by a mortgage on School facilities and all business assets	364,298	384,275
	1,827,409	1,956,323
Less: current portion	(135,628)	(128,902)
Long-term portion	$ 1,691,781	$ 1,827,421

Principal maturities of long-term debt are as follows for the years ending June 30:

2017	$ 135,628
2018	142,463
2019	149,628
2020	156,978
2021	165,050
Thereafter	1,077,662
	$ 1,827,409

NOTE 4 – LEASES

The School leases various items of equipment under capital leases. At June 30, 2016, the cost and accumulated depreciation relating to these assets were $569,719 and $471,730, respectively ($872,732 and $772,019 at June 30, 2015).

Minimum future lease payments as of June 30, 2016 under capital leases and the present value of the net minimum lease payments are as follows for the years ending June 30:

2017	$	68,200
2018		51,823
2019		48,596
2020		23,533
2021		3,914
Less: amount representing interest		(16,230)
	$	179,836

The School also leases various items of equipment under operating leases. Total expense under these operating leases for 2016 and 2015 was $34,317 and $44,759, respectively. Minimum future rental payments as of June 30, 2016 for all operating leases with initial, non-cancellable lease terms in excess of one year are as follows for the years ending June 30:

2017	$	13,127
2018		12,178
2019		7,104

NOTE 5 – RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. 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 determined annually by the INPRS Board. For the years ended June 30, 2016 and 2015, the School contributed 7.5% of compensation for eligible teaching personnel to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2015 (the latest year reported), TRF was more than 80% funded. A copy of the complete annual report for the year ended June 30, 2015 can be obtained at www.in.gov/inprs/files/2015INPRSCAFRBook.pdf.

All other employees are eligible to participate in a School-sponsored section 403(b) plan. Under this plan, the School contributes 6% of compensation, as defined in the plan document. Additional contributions may be made at the discretion of the Board of Directors. No discretionary contributions were made in 2016 or 2015. Retirement plan expense under both plans was $223,164 and $200,468 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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. Payments under this charter agreement were $124,051 and $112,840 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2021, 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 June 30, 2017 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 $79,969 and $88,069 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 – RISKS AND UNCERTAINTIES

The School provides educational 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.

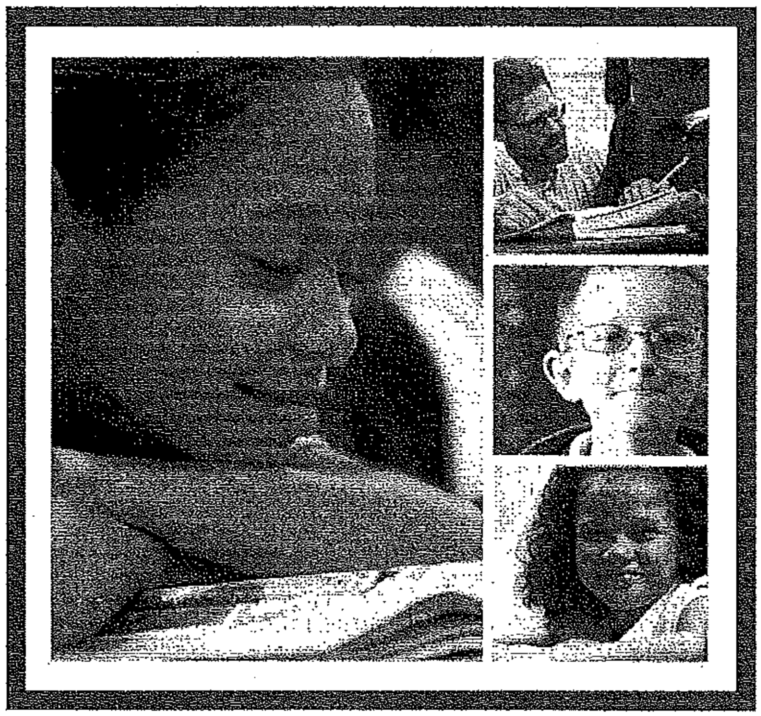
The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations 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, 2016, substantially all of the receivable balance was due from the State of Indiana. In addition, bank deposits are maintained primarily at MainSource Bank, and are insured up to the FDIC insurance limit.

NOTE 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.

ASPIRE CHARTER ACADEMY



Financial Statements as of and for the Year Ended June 30, 2016, Required Supplemental Information and Additional Information for the Year Ended June 30, 2016, Federal Awards Supplemental Information for the Year Ended June 30, 2016 and Independent Auditors' Reports

National Heritage Academies

ASPIRE CHARTER ACADEMY

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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, 2016, 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.

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 net position of the govermental activities, the major fund, and the aggregate remaining funds of Aspire Charter Academy as of June 30, 2016, and the respective changes in its net 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 schedules, 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Directors
Aspire Charter Academy

The combining statement of revenues, expenditures, and changes in fund balance - 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, 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 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* in considering Aspire Charter Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 27, 2016

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, 2016. 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 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 State 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:

	2016	2015
Assets:		
Current assets	$ 266,952	$ 2,911,901
Capital assets, net of accumulated depreciation	91,588	110,538
Total assets	358,540	3,022,439
Liabilities - current	239,500	2,873,626
Net position:		
Invested in capital assets	91,588	110,538
Restricted - School Service Fund	-	668
Unrestricted	27,452	37,607
Total net position	$ 119,040	$ 148,813

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:

	2016	2015
Revenues:		
State aid	$ 4,969,280	$ 5,129,199
State aid reduction (Note 5)	(2,544,248)	-
Operating grants	2,166,275	2,246,331
Charges for services	80	174
Private sources - NHA	2,362,305	-
Total revenues	6,953,692	7,375,704
Expenses—		
Contracted service fee:		
Instruction	3,269,203	3,648,639
Support services	3,223,932	3,296,225
Food services	471,380	432,019
Depreciation (unallocated)	18,950	19,520
Total expenses	6,983,465	7,396,403
Change in net position	$ (29,773)	$ (20,699)

As reported in the statement of activities, the cost of governmental activities was $6,983,465 for 2016. 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. Revenues – *Private sources – NHA* represent a contribution granted by NHA for excess of Academy expenditures over public revenues available.

The Academy experienced a decrease in net position of $29,773. 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 $27,452 at June 30, 2016.

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

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 $158,072 from the original budget. Revenues were changed to reflect the following:

State Aid	Decrease
Other State Sources	Increase
Federal Sources	Increase
Private Sources - NHA	Decrease

Budgeted expenditures were increased by $196,347. This change was to reflect the change in anticipated funding. Significant variances between the final budget and the actual amount is disclosed in the notes to the financial statements.

Capital Assets

At June 30, 2016, the Academy had $91,588 invested in capital assets from board discretionary funds, primarily other equipment. Capital assets are substantially provided as part of the agreement with NHA.

General Economic Factors

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the Academy in 2017.

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, 2016

	Governmental Activities
ASSETS	
CURRENT ASSETS:	
Cash	$ 100,945
Due from governmental revenue sources	166,007
Total current assets	266,952
NON-CURRENT ASSETS:	
Capital assets	191,883
Less accumulated depreciation	(100,295)
Total capital assets, net of accumulated depreciation	91,588
TOTAL	$ 358,540
LIABILITIES AND NET POSITION	
LIABILITIES:	
Unearned revenue	$ 18,196
Contracted service fee payable	221,304
Total liabilities	239,500
NET POSITION:	
Invested in capital assets	91,588
Unrestricted	27,452
Total net position	119,040
TOTAL	$ 358,540

See notes to financial statements.

ASPIRE CHARTER ACADEMY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	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	$ 3,269,203	$ -	$ 955,612	$ (2,313,591)
Support services	3,223,932	-	782,871	(2,441,061)
Food services	471,380	80	427,792	(43,508)
Depreciation (unallocated)	18,950	-	-	(18,950)
Total governmental activities	$ 6,983,465	$ 80	$ 2,166,275	(4,817,110)
GENERAL PURPOSE REVENUES:				
State aid unrestricted				4,969,280
State aid reduction (Note 5)				(2,544,248)
Private sources - NHA				2,362,305
Total general purpose revenue				4,787,337
CHANGE IN NET POSITION				(29,773)
NET POSITION:				
Beginning of year				148,813
End of year				$ 119,040

See notes to financial statements.

ASPIRE CHARTER ACADEMY

BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash	$ 100,945	$ -	$ 100,945
Due from governmental revenue sources	2,365	163,642	166,007
TOTAL	$ 103,310	$ 163,642	$ 266,952
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Unearned revenue	$ 14,012	$ 4,184	$ 18,196
Contracted service fee payable	61,846	124,526	186,372
Total liabilities	75,858	128,710	204,568
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	-	34,932	34,932
Total liabilities and deferred inflows of resources	75,858	163,642	239,500
FUND BALANCE:			
Committed	14,436	-	14,436
Unassigned	13,016	-	13,016
Total fund balance	27,452	-	27,452
TOTAL	$ 103,310	$ 163,642	$ 266,952

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

Total governmental fund balance		$ 27,452
Capital assets used in governmental activities are not financial resources and are not reported in the funds:		
Capital assets cost	$ 191,883	
Accumulated depreciation	(100,295)	91,588
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds		34,932
Contracted service fee payable not due and payable in the current period and not reported in the funds		(34,932)
Net position of governmental activities		$ 119,040

See notes to financial statements.

ASPIRE CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Fund	Nonmajor Funds	Total Governmental Funds
REVENUES:			
State aid	$ 4,969,280	$ -	$ 4,969,280
State aid reduction (Note 5)	(2,544,248)	-	(2,544,248)
Other state sources	600,728	52,755	653,483
Federal sources	-	1,557,557	1,557,557
Private sources	14,182	80	14,262
Private sources - NHA	2,362,305	-	2,362,305
Total revenues	5,402,247	1,610,392	7,012,639
EXPENDITURES — Contracted service fee:			
Instruction	2,086,867	1,182,336	3,269,203
Food services	-	471,380	471,380
Support services	3,282,879	-	3,282,879
Total expenditures	5,369,746	1,653,716	7,023,462
REVENUES OVER (UNDER) EXPENDITURES	32,501	(43,324)	(10,823)
OTHER FINANCING (USES) SOURCES — Operating transfers (out) in	(42,656)	42,656	-
NET CHANGE IN FUND BALANCE	(10,155)	(668)	(10,823)
FUND BALANCE — Beginning of year	37,607	668	38,275
FUND BALANCE — End of year	$ 27,452	$ -	$ 27,452

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	$ (10,823)
Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their useful lives as depreciation	(18,950)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	34,932
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years	93,879
Contracted service fee recognized consistent with the revenue policy	(128,811)
Change in net position of governmental activities	$ (29,773)

See notes to financial statements.

1. NATURE OF OPERATIONS AND REPORTING ENTITY

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 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 the state tuition support, which is included in the expenses assumed by NHA as described above. This amounted to approximately $115,871 for the fiscal year 2016. The charter expires on June 30, 2019. 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 has 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 Academy 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 School District'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, 2016 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, 2016, a deferred inflow for unavailable revenue was recognized for $34,932 and a liability for unearned revenue was recognized for $18,196.

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2016, 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, and leasehold improvements of 30 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, 2016, the Academy had $14,436 in committed fund balance and $13,016 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 $158,072 and $196,347, respectively. During the year, the Academy incurred contracted service fee expenditures which were in excess of the amounts budgeted due to the reserve for uncollectible accounts of $2,544,248 (see Note 5), with a final budget and actual amounts of $7,454,926 and $9,567,710, respectively.

4. DEPOSITS

Deposits, made in accordance with Indiana Code 5-13 with financial institutions in the State of Indiana at June 30, 2016, 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, 2016, the Academy had a deposit balance in the amount of $101,420.

5. ACCOUNTS RECEIVABLE

The Academy's accounts receivable balance consists of amounts due from the State of Indiana for tuition support relating to fiscal year 2013.

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. Efforts are being made to resolve any outstanding obligations but at this time, the outstanding receivables have not been resolved. The Academy has recorded reduction in state aid in the amount of $2,544,248 related to the amount not reimbursed through the provisions of House Bill 1001. The balance of $166,007 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 2016, 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, 2016, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities —				
Other equipment	$ 240,533	$ -	$ (48,650)	$ 191,883
Total capital assets at historical cost	240,533	-	(48,650)	191,883
Less accumulated depreciation —				
Other equipment	(129,995)	(18,950)	48,650	(100,295)
Total accumulated depreciation	(129,995)	(18,950)	48,650	(100,295)
Total governmental activities capital assets, net	$ 110,538	$ (18,950)	$ -	$ 91,588

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. This lease is automatically renewed on a year-to-year basis unless a notice of non-renewal is provided by either the Academy or NHA.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2016 through June 30, 2017, at the same rental rate.

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REQUIRED SUPPLEMENTAL INFORMATION

ASPIRE CHARTER ACADEMY

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2016

	Original Budget	Final Amended Budget	Actual	(Under) Over Final Budget
REVENUES:				
State Aid	$ 5,130,582	$ 5,005,185	$ 4,969,280	$ (35,905)
State aid reduction - Note 5	-	-	(2,544,298)	(2,544,298)
Other State Sources	243,965	579,505	653,483	73,978
Federal Sources	1,790,948	1,831,961	1,557,557	(274,404)
Private Sources	-	-	14,262	14,262
Private Sources - NHA	93,084	-	2,362,305	2,362,305
Total Revenues	7,258,579	7,416,651	7,012,589	(404,062)
EXPENDITURES - Contracted Service Fee	7,258,579	7,454,926	7,023,412	(431,514)
NET CHANGE IN FUND BALANCE	-	(38,275)	(10,823)	27,452
FUND BALANCE - Beginning of year	-	38,275	38,275	-
FUND BALANCE - End of year	$ -	$ -	$ 27,452	$ 27,452

ADDITIONAL INFORMATION

ASPIRE CHARTER ACADEMY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2016

	School Lunch	Textbook Rental	Title I	Title IIA	Totals
Revenue:					
Private sources	$ 80	$ -	$ -	$ -	$ 80
State sources	-	52,755	-	-	52,755
Federal sources	427,976	-	1,054,991	74,590	1,557,557
Total Revenue	428,056	52,755	1,054,991	74,590	1,610,392
Expenditures:					
Contracted service fee	471,380	52,755	1,054,991	74,590	1,653,716
Total expenditures	471,380	52,755	1,054,991	74,590	1,653,716
REVENUES UNDER EXPENDITURES	(43,324)	-	-	-	(43,324)
Other financing sources - Transfers in	42,656	-	-	-	42,656
NET CHANGE IN FUND BALANCE	(668)	-	-	-	(668)
Fund Balance - beginning	668	-	-	-	668
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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 27, 2016.

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.

To Management and 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

October 27, 2016

SUPPLEMENTAL INFORMATION

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Report on Compliance for Each 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 Each Major Federal Program

We have audited Aspire Charter Academy's (the "Academy") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. 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 for each 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 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 each major federal program. However, our audit does not provide a legal determination of Aspire Charter Academy's compliance.

Opinion on Each 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, 2016.

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 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

October 27, 2016

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title Grant Number	Federal CFDA Number	Project / Award Number	Total Federal Awards Expended June 30, 2016
U.S. Department of Agriculture—			
Passed through the Indiana Department of Education:			
Child Nutrition Cluster - Cash Assistance:			
National School Breakfast Program	10.553	N/A	$ 77,974
National School Lunch Program	10.555	N/A	349,818
Total U.S. Department of Agriculture			427,792
U.S. Department of Education—			
Passed through the Indiana Department of Education:			
Title I Grants to Local Educational Agencies			
2015	84.010	15-9685	38,966
2016		16-9685	1,042,583
Total Title I Grants to Local Educational Agencies			1,081,549
Title II Improving Teacher Quality			
2014	84.367	14-9685	35,157
2015		15-9685	(16,460)
2016		16-9685	10,329
Total Title II Improving Teacher Quality			29,026
Special Education Cluster:			
IDEA Part B	84.027	14215-526-PN01	(38,811)
Total U.S. Department of Education			1,071,764
Total			$ 1,499,556

See Notes to Schedule of Expenditures of Federal Awards.

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Revenue from federal sources - As reported on financial statements (includes all funds)	$	1,557,557
Revenue reported in the statement of activites that does not provide current financial resources and is not reported as revenue in the governmental funds		34,933
Revenue reported in the governmental funds as available and measurable - Reported in the statement of activities in prior years		(92,934)
Federal expenditures per the schedule of expenditures of federal awards	$	1,499,556

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Aspire Charter Academy under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Aspire Charter Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows, if applicable, of Aspire Charter Academy.

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 or the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Aspire Charter Academy had no funds transferred to subrecipients during the year ended June 30, 2016. Aspire Charter Academy has not elected to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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 2 CFR 200.516 (a)? ______ 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: $750,000

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

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

IV. STATE FINDINGS AND QUESTIONED COSTS SECTION

None

ASPIRE CHARTER ACADEMY

SUMMARY SCHEDULE OF PRIOR STATE AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

Prior year Finding Number	State Program	Original Finding Description	Status	Planned Corrective Action
2015-001	N/A	The Academy does not use certain state-prescribed forms. The Academy uses electronic forms (created by the Academy's accounting system). The use of other-than-prescribed forms is allowed only with prior approval by the State Board of Accounts.	Corrected	Not applicable

ASPIRE CHARTER ACADEMY

EXIT CONFERENCE FOR STATE COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2016

The content of this report was discussed on October 27, 2016, with Steve Conley, Chief Financial Officer, and Ann Strahota, Director of Audit.

THE BLOOMINGTON PROJECT SCHOOL, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

DONOVAN
CPAs | ADVISORS

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CPAs | ADVISORS

Independent Auditors' Report

To the Board of Directors
The Bloomington Project School, Inc.
349 South Walnut Street
Bloomington, IN 47401

We have audited the accompanying financial statements of The Bloomington Project School, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 of 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.

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, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

November 7, 2016
Indianapolis, Indiana

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 80,484	$ 157,425
Grants receivable	6,066	4,825
Prepaid expenses	7,344	7,344
Total current assets	93,894	169,594
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,222,431	2,222,431
Furniture and equipment	478,591	478,591
Textbooks	77,316	77,316
Less: accumulated depreciation	(1,041,821)	(960,015)
Property and equipment, net	1,736,517	1,818,323
OTHER ASSETS		
Security deposit	10,000	10,000
TOTAL ASSETS	$ 1,840,411	$ 1,997,917
LIABILITIES AND NET ASSETS (DEFICIT)		
CURRENT LIABILITIES		
Current portion of notes payable	$ 51,946	$ 74,252
Accounts payable	30,109	29,746
Accrued expenses	100,266	269,348
Total current liabilities	182,321	373,346
LONG-TERM LIABILITIES		
Deferred rent payable	30,375	40,500
Notes payable, net of current portion	1,707,524	1,694,103
Total long-term liabilities	1,737,899	1,734,603
Total liabilities	1,920,220	2,107,949
NET ASSETS (DEFICIT)		
Unrestricted	(79,809)	(201,422)
Temporarily restricted	-	91,390
Total net assets (deficit)	(79,809)	(110,032)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	$ 1,840,411	$ 1,997,917

See independent auditors' report and accompanying notes to the financial statements

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
State education support	$ 1,708,649	$ -	$ 1,708,649	$ 1,647,190	$ -	$ 1,647,190
Grant revenue	355,050	-	355,050	191,103	-	191,103
Student fees	84,717	-	84,717	84,177	-	84,177
Contributions	137,069	-	137,069	133,782	30,465	164,247
Other income	43,263	-	43,263	139,918	-	139,918
Total revenue and support	2,328,748	-	2,328,748	2,196,170	30,465	2,226,635
EXPENSES						
Program services	1,669,018	-	1,669,018	1,779,031	-	1,779,031
Management and general	538,117	-	538,117	613,063	-	613,063
Total expenses	2,207,135	-	2,207,135	2,392,094	-	2,392,094
CHANGE IN NET ASSETS	121,613	-	121,613	(195,924)	30,465	(165,459)
NET ASSETS, BEGINNING OF YEAR	(201,422)	91,390	(110,032)	(5,498)	60,925	55,427
DISTRIBUTION TO FOUNDATION	-	(91,390)	(91,390)	-	-	-
NET ASSETS, END OF YEAR	$ (79,809)	$ -	$ (79,809)	$ (201,422)	$ 91,390	$ (110,032)

See independent auditors' report and accompanying notes to the financial statements

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 891,822	$ 222,243	$ 1,114,065	$ 1,047,426	$ 280,529	$ 1,327,955
Employee benefits	229,281	89,117	318,398	240,587	81,148	321,735
Staff development	6,332	-	6,332	4,031	189	4,220
Professional services	56,797	46,260	103,057	40,073	60,580	100,653
Repairs and maintenance	22,393	-	22,393	8,422	-	8,422
Authorizer oversight fees	-	31,240	31,240	-	35,779	35,779
Food costs	58,775	-	58,775	64,464	-	64,464
Transportation	39,775	-	39,775	39,495	-	39,495
Equipment	42,945	-	42,945	14	-	14
Classroom, kitchen, and office supplies	34,556	2,576	37,132	30,520	5,341	35,861
Occupancy	171,412	-	171,412	146,667	-	146,667
Depreciation	81,806	-	81,806	141,848	-	141,848
Interest	-	113,338	113,338	-	121,639	121,639
Insurance	-	17,957	17,957	-	19,404	19,404
Other	33,124	15,386	48,510	15,484	8,454	23,938
Total functional expenses	$ 1,669,018	$ 538,117	$ 2,207,135	$ 1,779,031	$ 613,063	$ 2,392,094

See independent auditors' report and accompanying notes to the financial statements

THE BLOOMINGTON PROJECT SCHOOL, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 121,613	$ (165,459)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	81,806	141,848
Changes in certain assets and liabilities:		
Grants receivable	(1,241)	5,597
Accounts payable	363	13,600
Accrued expenses	(169,082)	91,447
Refundable advances	-	(2,399)
Deferred rent payable	(10,125)	(10,125)
Net cash provided by (used in) operating activities	23,334	74,509
INVESTING ACTIVITIES		
Distribution to Foundation	(91,390)	-
FINANCING ACTIVITIES		
Proceeds from note payable	65,200	-
Principal repayment of notes payable	(74,085)	(101,038)
Net cash used in financing activities	(8,885)	(101,038)
NET CHANGE IN CASH	(76,941)	(26,529)
CASH, BEGINNING OF YEAR	157,425	183,954
CASH, END OF YEAR	$ 80,484	$ 157,425
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 106,248	$ 121,639

THE BLOOMINGTON PROJECT SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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 as 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 amount 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.

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.

Property and Equipment – Purchases of 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:

Buildings and improvements	30 years
Furniture and equipment	3 to 5 years
Textbooks	4 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 7, 2016, 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.

NOTE 2 - NOTES PAYABLE

Notes payable consisted of the following as of June 30:

	2016	2015
Note payable to Indiana Finance Authority	$ 526,353	$ 597,938
Note payable to IFF	1,160,000	1,160,000
Note payable to Bloomington Urban Enterprise Association	7,917	10,417
Common school fund loan	65,200	-
	1,759,470	1,768,355
Less current portion	(51,946)	(74,252)
Long-term notes payable	$ 1,707,524	$ 1,694,103

Indiana Finance Authority Note Payable - 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 provide for the interest to be subsidized by the Federal Government. The loan is subordinate to the obligation to IFF.

IFF Note Payable - 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.

NOTE 2 - NOTES PAYABLE, Continued

Bloomington Urban Enterprise Association Note Payable - 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.

Common School Fund Loan - The note payable to the Indiana Common School Fund is payable in semi-annual installments of $3,260 from January 2017 to July 2026, with interest at 1% per annum.

Principal maturities of notes payable are as follows for the years ending June 30:

2017	$	51,946
2018		1,214,394
2019		56,981
2020		57,634
2021		60,107
Thereafter		318,408
Total	$	1,759,470

NOTE 3 - 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, 2016 and 2015 was $102,405 and $94,626, respectively. Future minimum lease obligations for non-cancelable operating leases with initial lease terms in excess of one year are as follows for the years ended June 30:

2017	$	93,006
2018		92,950
2019		88,125

NOTE 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 administrated 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 $91,358 and $92,457 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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. Payments under this charter agreement were $31,240 and $35,779 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2019, and is renewable thereafter by mutual consent.

NOTE 7 - RISKS AND UNCERTAINTIES

The School provides education 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, 2016, substantially all of the receivable balance was due from the State of Indiana.

NOTE 8 - RESTRICTED NET ASSETS

Prior to June 30, 2016, the School shared an employee identification number with The Bloomington Project School, Inc. d/b/a The Project School Foundation (the "Foundation"). Contributions to the Foundation were recorded as temporarily restricted, and withdrawals from the Foundation account were recorded as net assets released from restriction. The cash balance in the Foundation's checking account was tracked in a separate account from the School's operating cash accounts, and was reflected as temporarily restricted net assets on the statements of financial position. As of January 25, 2016, the Foundation procured a separate employee identification number and the remaining cash in the account of $91,390 was transferred to the Foundation and released from temporarily restricted net assets.

NOTE 9 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the education activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services.

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

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

June 30, 2016 and 2015

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Independent Auditors' Report

The Board of Directors
Friends of Canaan, Inc.
P.O. Box 20
Canaan, IN 47224

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, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses 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.

Auditors' 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 Friends of Canaan, Inc. as of June 30, 2016 and 2015, 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.

DONOVAN

Donovan

August 15, 2016
Indianapolis, IN

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 225,864	$ 198,209
Grants receivable	3,790	2,235
Prepaid expenses	2,907	4,266
Total current assets	232,561	204,710
PROPERTY AND EQUIPMENT		
Furniture and equipment	265,840	253,789
Textbooks	81,585	76,408
Vehicles	9,100	-
Less: accumulated depreciation	(260,867)	(169,957)
Property and equipment, net	95,658	160,240
TOTAL ASSETS	$ 328,219	$ 364,950
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 43,571	$ 48,511
Current portion of notes payable	47,027	42,271
Refundable advances	9,758	18,482
Total current liabilities	100,356	109,264
LONG-TERM LIABILITIES		
Notes payable, net of current portion	17,417	67,275
Total liabilities	117,773	176,539
UNRESTRICTED NET ASSETS	210,446	188,411
TOTAL LIABILITIES AND NET ASSETS	$ 328,219	$ 364,950

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 755,753	$ 756,598
Grant revenue	156,128	271,202
Student fees	34,209	30,862
Contributions	9,440	725
Other income	25,519	6,282
Total revenue and support	981,049	1,065,669
EXPENSES		
Program services	802,484	768,918
Management and general	156,530	209,191
Total expenses	959,014	978,109
CHANGE IN NET ASSETS	22,035	87,560
NET ASSETS, BEGINNING OF YEAR	188,411	100,851
NET ASSETS, END OF YEAR	$ 210,446	$ 188,411

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 383,588	$ 42,336	$ 425,924	$ 363,220	$ 88,696	$ 451,916
Employee benefits	82,337	9,698	92,035	66,871	9,345	76,216
Professional services	55,490	46,070	101,560	53,626	46,865	100,491
Depreciation	90,910	-	90,910	98,143	-	98,143
Transportation	82,895	-	82,895	81,900	-	81,900
Classroom, kitchen, and office supplies	30,629	5,122	35,751	23,295	1,922	25,217
Food costs	29,203	-	29,203	31,316	-	31,316
Insurance	-	29,172	29,172	-	32,334	32,334
Occupancy	21,467	-	21,467	26,484	-	26,484
Authorizer oversight fees	-	16,168	16,168	-	13,383	13,383
Equipment	6,029	-	6,029	8,110	-	8,110
Property rental and maintenance	4,923	-	4,923	4,384	-	4,384
Staff development	4,634	-	4,634	11,112	-	11,112
Interest	-	3,943	3,943	-	5,780	5,780
Travel	40	-	40	-	-	-
Other	10,339	4,021	14,360	457	10,866	11,323
Total functional expenses	$ 802,484	$ 156,530	$ 959,014	$ 768,918	$ 209,191	$ 978,109

See independent auditors' report and accompanying notes to financial statements

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 22,035	$ 87,560
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	90,910	98,143
Changes in certain assets and liabilities:		
Grants receivable	(1,555)	10,911
Prepaid expenses	1,359	(2,757)
Accounts payable and accrued expenses	(4,940)	6,437
Refundable advances	(8,724)	8,482
Net cash provided by operating activities	99,085	208,776
INVESTING ACTIVITIES		
Purchases of property and equipment	(26,328)	(89,713)
FINANCING ACTIVITIES		
Principal repayments of notes payable	(45,102)	(43,251)
NET CHANGE IN CASH	27,655	75,812
CASH, BEGINNING OF YEAR	198,209	122,397
CASH, END OF YEAR	$ 225,864	$ 198,209
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 3,943	$ 5,780

FRIENDS OF CANAAN, INC.
d/b/a CANAAN COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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.

Property and Equipment – Purchases of 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 - 4 years
Textbooks	4 years
Vehicles	5 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, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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. Tax years ending after 2012 are open to audit for both federal and state purposes.

<u>Contributions</u> – 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.

<u>Subsequent Events</u> – The School evaluated subsequent events through August 15, 2016, 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.

NOTE 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 all repairs, maintenance, utilities, and insurance. The lease term ends in February 2018.

NOTE 3 – RETIREMENT PLAN

The School offers retirement benefits to its employees through both 403(b) and 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. The School did not have any forfeitures in 2016. The School had $12,621 of forfeitures applied against expense in 2015. Retirement plan expense, net of forfeitures, was $19,991 and $3,108 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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 payments received. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent. Payments under this agreement were $16,168 and $13,383 for the years ended June 30, 2016 and 2015, respectively.

NOTE 5 – NOTES PAYABLE

Notes payable at June 30, 2016 and 2015 consisted of the following:

	2016	2015
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	$ 29,772	$ 41,558
Unsecured note payable to Elma Schafer, payable $1,476 monthly including interest at 4.0% per annum, maturing in July 2017	17,336	33,994
Unsecured note payable to LaVonna Risk, payable $1,476 monthly including interest at 4.0% per annum, maturing in July 2017	17,336	33,994
	64,444	109,546
Less: current portion	(47,027)	(42,271)
Long-term portion	$ 17,417	$ 67,275

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 notes payable are scheduled as follows for the years ending June 30,

2017	$ 47,027
2018	12,956
2019	4,461
	$ 64,444

NOTE 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.

NOTE 6 – RISKS AND UNCERTAINTIES (Continued)

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2016 and 2015, substantially all of the accounts receivable balance was due from the State of Indiana.

NOTE 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.

COMMUNITY MONTESSORI, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

www.cpadonovan.com
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Indianapolis Office | 9245 North Meridian Street, Ste. 302 Indianapolis, IN 46260 | 317.844.8300

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, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Indianapolis, Indiana
September 13, 2016

COMMUNITY MONTESSORI, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,531,899	$ 2,182,545
Bank certificate of deposit	226,882	225,748
Accounts receivable, net of allowance	11,725	14,443
Grants receivable	3,342	10,577
Prepaid expenses	22,291	21,280
Total current assets	2,796,139	2,454,593
PROPERTY AND EQUIPMENT		
Land	150,296	150,296
Buildings and improvements	11,390,788	11,371,326
Furniture and equipment	175,982	175,982
Less: accumulated depreciation	(2,755,733)	(2,463,003)
Property and equipment, net	8,961,333	9,234,601
TOTAL ASSETS	$ 11,757,472	$ 11,689,194
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 214,195	$ 516,383
Accounts payable and accrued expenses	269,291	274,908
Deferred revenue	165,113	176,432
Total current liabilities	648,599	967,723
LONG-TERM LIABILITIES		
Notes payable, net of current portion	6,129,866	6,349,415
Total liabilities	6,778,465	7,317,138
NET ASSETS		
Unrestricted	4,971,306	4,359,025
Temporarily restricted	7,701	13,031
Total net assets	4,979,007	4,372,056
TOTAL LIABILITIES AND NET ASSETS	$ 11,757,472	$ 11,689,194

See independent auditors' report and accompanying notes to the financial statements.

COMMUNITY MONTESSORI, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
State education support	$ 3,444,292	$ -	$ 3,444,292	$ 3,351,092	$ -	$ 3,351,092
Program fees	483,712	-	483,712	340,648	-	340,648
Grant revenue	123,728	-	123,728	139,055	-	139,055
Student fees	143,450	-	143,450	145,077	-	145,077
Contributions	25,479	1,296	26,775	10,894	11,396	22,290
Fundraising	55,454	-	55,454	44,998	-	44,998
Interest	6,626	-	6,626	7,561	-	7,561
Other	15,502	-	15,502	17,035	-	17,035
Net assets released from restrictions	6,626	(6,626)	-	8,548	(8,548)	-
Total revenue and support	4,304,869	(5,330)	4,299,539	4,064,908	2,848	4,067,756
EXPENSES						
Program services	3,103,321	-	3,103,321	3,013,326	-	3,013,326
Management and general	532,817	-	532,817	525,730	-	525,730
Fundraising	56,450	-	56,450	35,890	-	35,890
Total expenses	3,692,588	-	3,692,588	3,574,946	-	3,574,946
CHANGE IN NET ASSETS	612,281	(5,330)	606,951	489,962	2,848	492,810
NET ASSETS, BEGINNING OF YEAR	4,359,025	13,031	4,372,056	3,869,063	10,183	3,879,246
NET ASSETS, END OF YEAR	$ 4,971,306	$ 7,701	$ 4,979,007	$ 4,359,025	$ 13,031	$ 4,372,056

See independent auditors' report and accompanying notes to the financial statements.

COMMUNITY MONTESSORI, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES								
Salaries and wages	$ 1,726,254	$ 291,734	$ -	$ 2,017,988	$ 1,589,939	$ 280,729	$ -	$ 1,870,668
Employee benefits	395,863	57,495	-	453,358	382,418	59,673	-	442,091
Staff development and recruitment	27,934	-	-	27,934	23,321	-	-	23,321
Professional services	65,112	9,476	-	74,588	62,565	17,243	-	79,808
Program expenses	56,927	-	-	56,927	58,444	-	-	58,444
Dues, licenses and subscriptions	-	101,990	-	101,990	-	91,412	-	91,412
Advertising	-	3,530	-	3,530	-	3,061	-	3,061
Travel	-	2,552	-	2,552	-	2,732	-	2,732
Information technology	81,532	-	-	81,532	58,467	11,739	-	70,206
Minor equipment	11,528	-	-	11,528	38,965	-	-	38,965
Supplies	67,456	12,927	-	80,383	85,101	8,417	-	93,518
Occupancy	155,488	-	-	155,488	174,890	-	-	174,890
Depreciation	292,730	-	-	292,730	285,908	-	-	285,908
Interest	222,497	-	-	222,497	253,308	-	-	253,308
Insurance	-	27,408	-	27,408	-	26,514	-	26,514
Fundraising	-	-	56,450	56,450	-	-	35,890	35,890
Other	-	25,705	-	25,705	-	24,210	-	24,210
Total functional expenses	$ 3,103,321	$ 532,817	$ 56,450	$ 3,692,588	$ 3,013,326	$ 525,730	$ 35,890	$ 3,574,946

See independent auditors' report and accompanying notes to the financial statements.

COMMUNITY MONTESSORI, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 606,951	$ 492,810
Adjustments to reconcile change in net assets		
to net cash flows provided by operating activities:		
Depreciation	292,730	285,908
Change in certain assets and liabilities:		
Accounts receivable	2,718	217
Grants receivable	7,235	4,382
Prepaid expenses	(1,011)	(2,995)
Accounts payable and accrued expenses	(5,617)	26,224
Deferred revenue	(11,319)	28,221
Net cash provided by operating activities	891,687	834,767
INVESTING ACTIVITIES		
Purchases of property and equipment	(19,462)	(187,337)
Additions to bank certificate of deposit	(1,134)	(1,126)
Net cash used by investing activities	(20,596)	(188,463)
FINANCING ACTIVITIES		
Principal repayment of notes payable	(521,737)	(717,936)
NET CHANGE IN CASH	349,354	(71,632)
CASH, BEGINNING OF YEAR	2,182,545	2,254,177
CASH, END OF YEAR	$ 2,531,899	$ 2,182,545
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 231,933	$ 255,227

See independent auditors' report and accompanying notes to the financial statements.

COMMUNITY MONTESSORI, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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 2015-2016 school year, the School served approximately 615 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.

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. Other receivables are reviewed for collectability on an annual basis. The accompanying financial statements reflect an allowance for doubtful accounts of $15,203 and $5,790 as of June 30, 2016 and 2015, respectively, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

Property and Equipment – Purchases of 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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through September 13, 2016 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. One subsequent event was identified, and is further discussed in Note 10.

NOTE 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, 2016. The School continues to carry a receivable of $1,477,941 relating to the funding reduction, offset by a collectability allowance in the same amount.

NOTE 3 – NOTES PAYABLE

Notes payable as of June 30, 2016 and 2015 consisted of the following:

		2016		2015
Note payable to Stock Yards Bank & Trust, payable $26,716 monthly, including interest at 2.77% per annum, refinanced in July 2016	$	2,541,280	$	2,778,906
Note payable to Stock Yards Bank & Trust, payable $13,088 monthly, including interest at 5.75% per annum, refinanced in July 2016		344,759		476,849
Note payable to Main Source Bank, payable $23,592 monthly, including interest at 3.7% per annum, refinanced in July 2016		3,458,022		3,610,043
		6,344,061		6,865,798
Less: current portion		(214,195)		(516,383)
Long-term portion	$	6,129,866	$	6,349,415

The notes payable to Stock Yards Bank & Trust and Main Source Bank were the result of Economic Development Revenue Bonds issued by the Town of Sellersburg, Indiana. These notes were 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, pledged certificates of deposit as additional collateral.

The notes payable to Stock Yards Bank & Trust and Main Source Bank were refinanced during July 2016 with two notes payable to German American Bancorp. The School incurred $28,518 of fees and costs related to the refinancing, which are included in the balance of the notes below. The terms of the refinanced notes are as follows:

- Note 1 - $6,022,579, payable in monthly installments of $33,498, including interest at 2.99% per annum, maturing in July 2036
- Note 2 - $350,000, payable in monthly installments of $2,108, including interest at 3.875% per annum, maturing July 2036

These notes are the result of Economic Development Revenue Bonds issued by the Town of Utica, Indiana, and are secured by first and second mortgages on the land and building. 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 met the minimum debt service coverage ratio in each of the years ended June 30, 2016 and 2015.

NOTE 3 – NOTES PAYABLE, Continued

Principal maturities of German American Bancorp notes payable are scheduled as follows for the years ending June 30:

2017	$	214,195
2018		240,905
2019		248,423
2020		256,177
2021		264,174
Thereafter		5,148,705
	$	6,372,579

NOTE 4 – 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, 2016 and 2015 were available for the following purposes:

		2016		2015
Community activities	$	1,484	$	1,484
Infant/toddler program		-		4,808
Scholarships		4,575		5,075
Teen support group		1,642		1,664
	$	7,701	$	13,031

During 2016 and 2015, net assets of $6,626 and $8,548, respectively, were released from restriction by incurring expenses satisfying the restricted purposes or due to the passage of time.

NOTE 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 $80,950 and $71,316 for the years ended June 30, 2016 and 2015, respectively.

NOTE 6 – 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, 2016 and 2015 were $17,663 and $15,052, respectively. At June 30, 2016, there was no balance owed to this vendor. At June 30, 2015 there was a balance owed to this vendor of $1,017.

NOTE 7 – RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. 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 determined annually by the INPRS Board. For the years ended June 30, 2016 and 2015, the School contributed 7.5% of compensation for eligible teaching personnel to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2015 (the latest year reported), TRF was more than 80% funded.

All other non-teaching employees were eligible for PERF. The contribution to PERF for other employees was 9.75% from January 1, 2014 until December 31, 2014, and 11.2% thereafter. Effective in fiscal year 2015, newly-hired non-teaching personnel are enrolled in a defined contribution Section 403(b) plan in lieu of PERF. Teaching personnel can also opt to participate in the 403(b) plan in lieu of TRF. Under the 403(b) plan, the School will match an employee's contributions up to 3% of compensation, which can be higher based on years of service. Effective October 2015 the school withdrew from PERF. Substantially all full-time employees are eligible to participate in a retirement plan. Retirement plan expense under all plans was $106,918 and $97,419 for the years ended June 30, 2016 and 2015, respectively.

NOTE 8 – 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 publicly 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 German American Bancorp generally exceed the FDIC insurance limit.

NOTE 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.

NOTE 10 – SUBSEQUENT EVENTS

On July 13, 2016, the School refinanced its notes payable held by Stock Yards Bank & Trust and Main Source Bank with new notes payable to German American Bancorp. These notes are the result of Economic Development Revenue Bonds issued by the Town of Utica, Indiana. As a result of this event, the accrued interest balance at June 30, 2016 was adjusted to the balance paid at the closing of the new notes and the principal maturities in the notes reflect the maturities due under the payment schedules of the new notes.

SUPPLEMENTAL AUDIT REPORT

OF

DUNELAND CHARTER SCHOOL, INC.

d/b/a DISCOVERY CHARTER SCHOOL

PORTER COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	Laurie Metz	07/01/15 – 06/30/16
School Director	Ernesto Martinez	07/01/15 – 07/31/16
School Treasurer	Allan Gabriele	07/01/15 – 06/30/16

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The Board of Directors
Duneland Charter School, Inc.

We have audited the financial statements of Duneland Charter School, Inc. d/b/a Discovery Charter School (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated November 4, 2014. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
November 4, 2016

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
Audit Results and Comments
July 1, 2015 to June 30, 2016

FINANCIAL REPORTING

Our examination of the semi-annual financial report to the Indiana Department of Education (Form 9) for the period January 1, 2016 to June 30, 2016 revealed that the June 30, 2016 cash balance did not reflect the balance as reported on the books and records. The balance reported on Form 9 was lower than the general ledger balance by $1,626,103, and the cash balances for various federal grant funds did not reflect accurate balances at June 30, 2016.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

The charter school's accounting system must facilitate the preparation of the periodic financial reports for administrative review and the required year-end financial statements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on November 7, 2016 with Ernesto Martinez (School Director) and Allan Gabriele (School Treasurer). The Official Response has been made a part of this report and may be found on page 5.

Donovan CPAs
9345 N. Meridian Street, Suite 302
Indianapolis, IN 46260

RE: Official response to Indiana State Board of Accounts compliance finding:

REQUIRED REPORTS:

Finding:

The semi-annual financial report to the Indiana Department of Education (Form 9) for the period January 1, 2016 to June 30, 2016 did not reflect the cash balance as reported on the School's books and records as of June 30, 2016. The balance reported on Form 9 was lower than the general ledger balance by $1,626,103, and the cash balances for various federal grant funds did not reflect accurate balances at June 30, 2016.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information.

The January report must include previous calendar year financial and other required information for the period July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

The charter school's accounting system must facilitate the preparation of the periodic financial reports for administrative review and the required year-end financial statements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

School Response:

Duneland Charter School, Inc. d/b/a Discovery Charter School's official response to the above finding is as follows: Discovery Charter School has terminated its agreement with American Quality Schools and has brought accounting in house.

Sincerely,

Ernesto F. Martinez,
Principal & School
Leader

11/4/16
Date

800 CANONIE DRIVE | PORTER, IN 46304 P. 219-983-9800 | DISCOVERYCHARTER.ORG

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

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' Report

The Board of Directors
Duneland Charter School, Inc.

We have audited the accompanying financial statements of Duneland Charter School, Inc. d/b/a Discovery Charter School, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets, functional expenses, 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.

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Indianapolis Office | 9245 North Meridian Street, Ste. 302 Indianapolis, IN 46260 | 317.844.8300

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duneland Charter School, Inc. as of June 30, 2016, its change in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Duneland Charter School, Inc. d/b/a Discovery Charter School for the year ended June 30, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on November 20, 2015.

DONOVAN

November 4, 2016
Indianapolis, Indiana

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

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 636,273	$ 84,528
Accounts receivable:		
Grants	11,992	11,023
Other	1,081	-
Prepaid expenses	22,507	2,455
Total current assets	671,853	98,006
PROPERTY AND EQUIPMENT		
Land	408,188	58,052
Buildings and improvements	3,805,534	414,968
Furniture and equipment	779,576	740,698
Textbooks	94,956	70,163
Less: accumulated depreciation	(660,674)	(530,615)
Property and equipment, net	4,427,580	753,266
OTHER ASSETS		
Cash - restricted for debt service	679,261	-
Cash - restricted for construction	2,153,345	-
Debt issuance costs, net of amortization	356,028	-
Security deposits	12,990	43,620
Total other assets	3,201,624	43,620
TOTAL ASSETS	$ 8,301,057	$ 894,892
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 58,750	$ 197,629
Current portion of capital lease obligation	-	34,569
Accounts payable and accrued expenses	192,642	197,174
Total current liabilities	251,392	429,372
LONG-TERM LIABILITIES		
Notes payable, net of current portion	7,586,250	169,056
Total liabilities	7,837,642	598,428
NET ASSETS, UNRESTRICTED	463,415	296,464
TOTAL LIABILITIES AND NET ASSETS	$ 8,301,057	$ 894,892

See independent auditors' report and accompanying notes to the financial statements

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

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 2,843,945	$ 2,713,765
Grant revenue	633,159	358,895
Student fees	114,230	112,749
Contributions	1,149	3,885
Interest income	1,078	-
Other income	26,557	30,191
Total revenue and support	3,620,118	3,219,485
EXPENSES		
Program services	2,590,545	2,516,455
Management and general	862,622	652,689
Total expenses	3,453,167	3,169,144
CHANGE IN NET ASSETS	166,951	50,341
NET ASSETS, BEGINNING OF YEAR	296,464	246,123
NET ASSETS, END OF YEAR	$ 463,415	$ 296,464

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

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,425,506	$ 232,423	$ 1,657,929	$ 1,318,186	$ 229,025	$ 1,547,211
Employee benefits	412,486	57,073	469,559	371,268	57,354	428,622
Staff development	4,938	-	4,938	7,136	-	7,136
Professional services	126,504	22,398	148,902	150,410	17,543	167,953
Repairs and maintenance	56,219	-	56,219	7,357	-	7,357
Authorizer oversight fees	-	75,101	75,101	-	65,262	65,262
Academic services	-	170,637	170,637	-	217,101	217,101
Food services	69,736	-	69,736	69,572	-	69,572
Transportation services	73,022	-	73,022	29,180	-	29,180
Travel	4,744	327	5,071	38,426	-	38,426
Equipment	16,339	3,614	19,953	13,459	-	13,459
Classroom, kitchen, and office supplies	39,146	28,531	67,677	28,501	24,335	52,836
Occupancy	212,955	-	212,955	321,452	-	321,452
Information technology	12,756	4,769	17,525	16,520	3,789	20,309
Depreciation	130,060	-	130,060	144,190	-	144,190
Amortization	6,034	-	6,034	-	-	-
Interest	-	229,526	229,526	-	9,107	9,107
Insurance	-	34,058	34,058	-	22,714	22,714
Other	100	4,165	4,265	798	6,459	7,257
Total functional expenses	$ 2,590,545	$ 862,622	$ 3,453,167	$ 2,516,455	$ 652,689	$ 3,169,144

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

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 166,951	$ 50,341
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	130,060	144,190
Amortization	6,034	-
Changes in certain assets and liabilities:		
Accounts receivable	(2,050)	13,885
Prepaid expenses	(20,052)	(481)
Security deposits	30,630	-
Accounts payable and accrued expenses	(4,533)	8,726
Net cash provided by operating activities	307,040	216,661
INVESTING ACTIVITIES		
Purchases of property and equipment	(3,804,374)	(56,919)
FINANCING ACTIVITIES		
Proceeds from notes payable	7,645,000	56,527
Principal payments on notes payable	(366,685)	(153,039)
Principal payments on capital lease obligation	(34,569)	(35,959)
Increase in cash restricted for debt service	(679,261)	-
Increase in cash restricted for construction	(2,153,345)	-
Increase in debt issuance costs	(362,061)	-
Net cash provided by (used in) financing activities	4,049,079	(132,471)
NET CHANGE IN CASH	551,745	27,271
CASH, BEGINNING OF YEAR	84,528	57,257
CASH, END OF YEAR	$ 636,273	$ 84,528

SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 229,526	$ 9,107
Property acquired under a capital lease obligation	-	68,006

See independent auditors' report and accompanying notes to the financial statements

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – 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 serving grades kindergarten through eight 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 programs. 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 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. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

Taxes on Income – The School 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, 2016 and 2015, 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 ended after 2012 are open to audit for both federal and state purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of 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 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	39 years
Furniture and equipment	3 - 7 years
Textbooks	5 years

Debt Issuance Costs – During 2016, the School incurred costs associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bond. These costs have been deferred and are being amortized over the term of the bond (30 years) using the straight-line method. Amortization expense for the year ended June 30, 2016 is $6,034.

Reclassifications – Certain amounts in the statement of functional expenses for the year ended June 30, 2015 have been reclassified to conform to the groupings in the 2016 statement of functional expenses. Total expenses for 2015 have not changed.

Subsequent Events – The School evaluated subsequent events through November 4, 2016, 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. No such events were found to have occurred.

NOTE 2 – NOTES PAYABLE

Notes payable at June 30, 2016 and 2015 were comprised of:

	2016	2015
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015A with an original amount of $7,230,000. The principal amount was reduced by $760,000 using financing from the State of Indiana. The loan principal is payable in annual installments that increase from $155,000 to $580,000 from December 2026 to December 2045. Interest payments are made semi-annually at a rate of 7.25% in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements.	$ 6,470,000	$ -
Note payable to the Indiana Common School Fund with an original amount of $1,175,000. The note requires semi-annual payments of $58,750 plus interest at 1% per annum from January 2017 to July 2026	1,175,000	-
Five separate notes payable to different entities, repaid during 2016 with proceeds from the above notes	-	366,685
	7,645,000	366,685
Less: current portion	(58,750)	(197,629)
Long-term portion	$ 7,586,250	$ 169,056

Principal maturities of notes payable are as follows for the years ending June 30:

2017	$ 58,750
2018	117,500
2019	117,500
2020	117,500
2021	117,500
Thereafter	7,116,250
	$ 7,645,000

NOTE 3 – RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits 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 determined annually by the INPRS Board. For the year ended June 30, 2016, the School contributed 7.5% of compensation for eligible teaching personnel to TRF and 7.25% for other employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2015 (the latest year reported), TRF and PERF were more than 80% funded. Retirement plan expenses totaled $132,678 and $119,992 during the years ended June 30, 2016 and 2015, respectively.

The School also maintains a Section 403(b) retirement plan with American Quality Schools, Inc. Employees may contribute up to 100% of their compensation provided 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 4 – 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.

NOTE 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 charter agreement were $75,101 and $65,262 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2020, and is renewable thereafter by mutual consent.

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 expired on June 30, 2016. Fees incurred under the contract totaled $170,637 and $217,101 for the years ended June 30, 2016 and 2015, respectively. Subsequent to June 30, 2016, the School has terminated its contract with American Quality Schools and has begun performing these services internally.

NOTE 5 – COMMITMENTS, Continued

In 2016, the School purchased the building it had previously leased, and committed to a construction project on the building with a total cost of $2,300,000. As of June 30, 2016, approximately $662,000 in costs on the project had been incurred. The entire project is prefunded, with all necessary cash to complete the project held in escrow at The Huntington National Bank in Indianapolis, Indiana and released directly to the project's contractor upon meeting agreed-upon construction milestones.

NOTE 6 – RISKS AND UNCERTAINTIES

The School provides educational instruction 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.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2016 and 2015, substantially all of the receivable balance was due from the State of Indiana. In addition, bank deposits are maintained at Chase Bank, and are insured up to the FDIC insurance limit.

DUNELAND CHARTER SCHOOL, INC.
d/b/a DISCOVERY CHARTER SCHOOL
OTHER REPORT
For the Year Ended June 30, 2016

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

Supplemental Audit Report of Duneland Charter School, Inc.
d/b/a Discovery 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*.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

DONOVAN
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Independent Auditors' Report

The Board of Directors
East Chicago Urban Enterprise Academy, Inc.

We have audited the accompanying financial statements of East Chicago Urban Enterprise Academy, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets (deficit), functional expenses, 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.

Auditors' 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Chicago Urban Enterprise Academy, Inc. as of June 30, 2016 and 2015, and the changes in its net assets (deficit), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, East Chicago Urban Enterprise Academy, Inc. was delinquent in filing its Internal Revenue Service Forms 990 for tax years 2008 through 2013. These delinquent filings carry potentially significant penalties. Additionally, the School was notified by the IRS of the loss of its tax-exempt status as a result of these late filings. The School has begun the process of reapplying for tax-exempt status. Our opinion is not modified with respect to this matter.

DONOVAN

Donovan

Indianapolis, Indiana
December 14, 2016

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 387,171	$ 174,879
Accounts receivable:		
Grants	34,172	95,394
Other	4,736	1,196
Prepaid expenses	-	32,435
Total current assets	426,079	303,904
PROPERTY AND EQUIPMENT		
Buildings and improvements	2,356,038	2,356,038
Furniture and equipment	628,804	628,804
Less: accumulated depreciation	(1,228,432)	(1,134,703)
Property and equipment, net	1,756,410	1,850,139
OTHER ASSETS		
Security deposit	7,803	7,803
TOTAL ASSETS	$ 2,190,292	$ 2,161,846
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 1,113,120	$ 1,179,727
Current portion of capital lease obligation	-	7,564
Accounts payable and accrued expenses	169,243	251,293
Total current liabilities	1,282,363	1,438,584
LONG-TERM LIABILITIES		
Notes payable, net of current portion	404,768	544,821
Total liabilities	1,687,131	1,983,405
NET ASSETS	503,161	178,441
TOTAL LIABILITIES AND NET ASSETS	$ 2,190,292	$ 2,161,846

See independent auditors' report and accompanying notes to the financial statements

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 2,929,782	$ 3,080,003
Grant revenue	904,167	668,761
Student fees	24,361	21,972
Program fees	13,457	14,875
Contributions	16	6,652
Fundraising income	15,967	26,361
Other income	1,441	5,553
Total revenue and support	3,889,191	3,824,177
EXPENSES		
Program services	2,850,935	2,956,912
Management and general	713,536	666,245
Total expenses	3,564,471	3,623,157
CHANGE IN NET ASSETS	324,720	201,020
NET ASSETS (DEFICIT), BEGINNING OF YEAR	178,441	(22,579)
NET ASSETS, END OF YEAR	$ 503,161	$ 178,441

See independent auditors' report and accompanying notes to the financial statements

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,395,028	$ 184,318	$ 1,579,346	$ 1,541,748	$ 161,577	$ 1,703,325
Employee benefits	394,991	66,203	461,194	373,415	54,765	428,180
Professional services	56,512	34,761	91,273	119,517	6,188	125,705
Depreciation	93,729	-	93,729	112,757	-	112,757
Classroom, kitchen, and office supplies	75,638	21,942	97,580	89,747	10,847	100,594
Food costs	242,850	-	242,850	231,338	-	231,338
Insurance	-	18,827	18,827	-	18,762	18,762
Occupancy	407,438	8,139	415,577	386,650	12,362	399,012
Authorizer oversight fees	-	62,882	62,882	-	58,184	58,184
Academic services	-	234,383	234,383	-	246,400	246,400
Equipment	63,532	3,906	67,438	15,610	3,417	19,027
Property rental and maintenance	12,838	-	12,838	5,619	-	5,619
Staff development	15,313	-	15,313	18,131	-	18,131
Interest	-	59,843	59,843	-	75,776	75,776
Travel	30,968	3,843	34,811	21,965	1,698	23,663
Information technology	5,800	-	5,800	11,733	-	11,733
Other	56,298	14,489	70,787	28,682	16,269	44,951
Total functional expenses	$ 2,850,935	$ 713,536	$ 3,564,471	$ 2,956,912	$ 666,245	$ 3,623,157

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 324,720	$ 201,020
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	93,729	112,757
Change in certain assets and liabilities:		
Accounts receivable	57,682	(96,590)
Prepaid expenses	32,435	(21,168)
Accounts payable and accrued expenses	(82,050)	(33,890)
Net cash provided by operating activities	426,516	162,129
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(14,536)
FINANCING ACTIVITIES		
Principal reduction of capital lease obligation	(7,564)	(17,148)
Principal payments on notes payable	(206,660)	(212,763)
Net cash used by financing activities	(214,224)	(229,911)
NET CHANGE IN CASH	212,292	(82,318)
CASH, BEGINNING OF YEAR	174,879	257,197
CASH, END OF YEAR	$ 387,171	$ 174,879
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 59,843	$ 75,776

See independent auditors' report and accompanying notes to the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – East Chicago Urban Enterprise 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 serving grades kindergarten through eighth 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 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. Therefore, 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 programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Taxes on Income – East Chicago Urban Enterprise 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. As disclosed in Note 7, the School was delinquent in filing its required IRS Forms 990 for tax years 2008 through 2013. These late filings impacted the School's tax-exempt status and could carry significant penalties from the IRS. For the years ended June 30, 2016 and 2015, no accounting for federal and state income taxes was 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 ended after 2012 are open to audit for both federal and state purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of 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	15 to 39 years
Furniture and equipment	3 to 7 years

Subsequent Events – The School evaluated subsequent events through December 14, 2016, 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.

NOTE 2 - NOTES PAYABLE

Notes payable consisted of the following at June 30:

	2016	2015
Line of credit agreement, payable in monthly installments of $11,267 including interest at 1.0% per annum through July 2020, secured by all business assets	$ 535,110	$ 663,162
Mortgage loan payable to Peoples Bank, payable in monthly installments of $10,425 including interest at a variable interest rate of 3% plus the 1-year Treasury bill rate per annum, adjustable annually, (3.45% at June 30, 2016) through April 2016, secured by a mortgage on School facilities and all business assets	982,778	1,061,386
	1,517,888	1,724,548
Less: current maturities	(1,113,120)	(1,179,727)
Long-term portion	$ 404,768	$ 544,821

Subsequent to the School's fiscal year end, People's Bank renewed the mortgage loan payable. The balance due as of June 30, 2016 of $982,778 will be amortized over ten years, at a fixed rate of 4.75% for the first five years, and adjusted once to market rate to remain in effect for the remainder of the loan. As of the date of this report, the loan renewal was in process and had not yet been executed. For this reason, the entire balance of the note payable is reflected as current.

NOTE 2 - NOTES PAYABLE, Continued

Principal maturities of notes payable are as follows for the years ending June 30:

2017	$	1,113,120
2018		131,652
2019		132,974
2020		134,310
2021		5,832
Total	$	1,517,888

NOTE 3 - LEASES

The School leased equipment under a capital lease. The lease was paid in full during 2016.

The School leases its building and modular classrooms under operating leases. Total expense under these operating leases for June 30, 2016 and 2015 was $262,023 and $223,519, respectively.

Minimum future rental payments as of June 30, 2016 for all operating leases with initial, non-cancellable lease terms in excess of one year are as follows for the years ending June 30:

2017	$	232,918
2018		239,215
2019		247,384
2020		20,672

NOTE 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 9.75% of compensation for other employees of PERF. Substantially all full-time employees are eligible to participate. Retirement plan expense was $138,934 and $118,178 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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. Payments under this charter agreement were $62,882 and $58,184 for the years ended June 30, 2016 and 2015, respectively. The charter will remain in effect until June 30, 2021 and is renewable thereafter by mutual consent.

The School contracted with American Quality Schools, a 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 had agreed to pay an amount equal to 6% of revenues, as defined, for such services. The contract commenced July 1, 2014 and expired June 30, 2016. Payments under this contract were $234,383 and $246,400 for the years ended June 30, 2016 and 2015, respectively. The contract with American Quality Schools was not renewed.

NOTE 6 - RISKS AND UNCERTAINTIES

The School provides educational instruction 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, 2016 and 2015, substantially all of the receivable balance was due from the State of Indiana. In addition, bank deposits are maintained primarily at Peoples Bank, and are insured up to the FDIC insurance limit.

NOTE 7 - LATE FILING OF IRS FORMS 990

The School was delinquent in filing its required IRS Forms 990 for tax years 2008 through 2013 (fiscal years 2009 through 2014). Each delinquent filing carries a potential maximum penalty of $50,000 for a total maximum penalty of $300,000. In addition to any potential penalty, the School had its tax-exempt status revoked in 2016 for failing to file its Forms 990 for three consecutive years.

As of May 2016, the School has filed all required Forms 990 for tax years 2008 through 2014 and has begun the process of seeking abatement for any penalties and reinstatement of its 501(c)(3) tax-exempt status. As of the date of the audit report, no penalty could be reasonably estimated nor does the School anticipate a permanent loss of its tax-exempt status. The financial statements do not include any allocation for IRS penalties nor income tax expense.

NOTE 8 - FUNCTIONAL EXPENSE REPORTING

The cost of providing 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.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2016

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 Urban Enterprise 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.*

SUPPLEMENTAL AUDIT REPORT

OF

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

LAKE COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
LAKE COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	David Padilla	07/01/15 – 06/30/16
School Leader	Veronica Eskew	07/01/15 – 06/30/16
School Treasurer	Tiffani Cooper	07/01/15 – 06/30/16

DONOVAN

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To the Board of Directors
East Chicago Urban Enterprise Academy, Inc.

We have audited the financial statements of East Chicago Urban Enterprise Academy, Inc. (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated December 14, 2016. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
December 14, 2016

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
LAKE COUNTY, INDIANA
Audit Results and Comments
July 1, 2015 to June 30, 2016

REQUIRED REPORTS

The financial report to the Indiana Department of Education (Form 9) submitted by the School did not properly reflect the cash activity for the period from July 1, 2015 to June 30, 2016. Receipts and expenditures reported in the various fund accounts did not accurately reflect the activity in those funds. In addition, the total cash balance per the Form 9 did not agree to the cash balance recorded in the accounting records as of June 30, 2016 by the amount of $83,713.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

Charter schools 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. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

CASH RECEIPTS AND DEPOSITS

The School receives cash payments for various purposes, including uniforms, fundraisers, and student fees. Procedures were in place to process cash collections; however, we noted one issue with regard to the cash receipts process, specifically:

Out of the 25 receipts selected from testing, 15 were not deposited timely.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
LAKE COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on December 14, 2016 with Veronica Eskew (School Leader), David Padilla (President of Board of Directors), Javier Garibay and Melinda Benkovsky (Representatives of The Leona Group). The Official Response has been made a part of this report and may be found on page 5.

December 14, 2016

Donovan, P.C.
9245 N. Meridian Street, Suite 302
Indianapolis, IN 46260

RE: Official response to Indiana State Board of Accounts compliance findings:

REQUIRED REPORTS:

Finding:

The financial report to the Indiana Department of Education (Form 9) submitted by the School did not properly reflect the cash activity for the period from July 1, 2015 to June 30, 2016. Receipts and expenditures reported in the various fund accounts did not accurately reflect the activity in those funds. In addition, the total cash balance per the Form 9 did not agree to the cash balance recorded in the accounting records as of June 30, 2016 by the amount of $83,713.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

Charter schools 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. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

School Response:

East Chicago Urban Enterprise Academy, Inc.'s official response encompasses all "required reports" findings for the audit period from July 1, 2015 to June 20, 2016. East Chicago Urban Enterprise Academy will from this date forward submit a Form 9 Biannual Financial Report twice per year during the months of January and July and the financial information in the Form 9 shall reflect accurate cash basis information. The January report will include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report will include current calendar year financial and other required information for the period of January 1 to June 30. *Please note that the current management company, The Leona Group, was not responsible for the Academy during the time period reflected in this audit (July 1, 2015 to June 30, 2016).*

Finding:

The School receives cash payments for various purposes, including uniforms, fundraisers, and student fees. Procedures were in place to process cash collections; however, we noted one issue with regard to the cash receipts process, specifically:

Out of the 25 receipts selected from testing, 15 were not deposited timely.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

School Response:

East Chicago Urban Enterprise Academy, Inc.'s official response encompasses all "required reports" findings for the audit period from July 1, 2015 to June 20, 2016. East Chicago Urban Enterprise Academy will from this date forward abide by the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8 and deposit all funds received in the designated depository no later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received.

Sincerely,

David Padilla, Board of Directors Chairman

Dec 14, 2016
Date

DR. ROBERT H. FAULKNER ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

DONOVAN
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Independent Auditors' Report

The Board of Directors
Dr. Robert H. Faulkner Academy, Inc.
1111 West 2nd Street
Marion, IN 46952

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, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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 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 Dr. Robert H. Faulkner Academy, Inc. as of June 30, 2016 and 2015 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.

DONOVAN

September 6, 2016
Indianapolis, Indiana

DR. ROBERT H. FAULKNER ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 361,427	$ 349,870
Grants receivable	16,178	20,602
Prepaid expenses	9,292	9,898
Total current assets	386,897	380,370
PROPERTY AND EQUIPMENT		
Furniture and equipment	369,589	364,857
Textbooks	194,752	114,473
Leasehold improvements	24,341	24,341
Less: accumulated depreciation	(489,281)	(468,486)
Property and equipment, net	99,401	35,185
TOTAL ASSETS	$ 486,298	$ 415,555
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 154,309	$ 50,854
Refundable advances	4,453	924
Total current liabilities	158,762	51,778
UNRESTRICTED NET ASSETS	327,536	363,777
TOTAL LIABILITIES AND NET ASSETS	$ 486,298	$ 415,555

DR. ROBERT H. FAULKNER ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 824,660	$ 985,114
Grant revenue	247,825	189,559
Student fees	10,829	13,756
Other income	696	-
Total revenue and support	1,084,010	1,188,429
EXPENSES		
Program services	838,116	893,671
Management and general	282,135	344,534
Total expenses	1,120,251	1,238,205
CHANGE IN NET ASSETS	(36,241)	(49,776)
NET ASSETS, BEGINNING OF YEAR	363,777	413,553
NET ASSETS, END OF YEAR	$ 327,536	$ 363,777

See independent auditors' report and accompanying notes to the financial statements

DR. ROBERT H. FAULKNER ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 422,679	$ 138,729	$ 561,408	$ 452,363	$ 148,656	$ 601,019
Employee benefits	119,549	25,978	145,527	127,892	38,624	166,516
Staff development	11,221	-	11,221	4,381	50	4,431
Professional services	25,283	61,698	86,981	39,319	91,475	130,794
Repairs and maintenance	17,307	-	17,307	13,817	-	13,817
Authorizer oversight fee	-	18,965	18,965	-	19,732	19,732
Administative service fee	-	16,493	16,493	-	19,702	19,702
Food costs	67,300	-	67,300	64,379	-	64,379
Equipment	10,792	-	10,792	12,454	-	12,454
Classroom, kitchen and office supplies	11,748	10,101	21,849	13,281	6,082	19,363
Occupancy	122,239	-	122,239	124,950	-	124,950
Depreciation	26,652	-	26,652	28,077	-	28,077
Insurance	-	137	137	-	15,486	15,486
Other	3,346	10,034	13,380	12,758	4,727	17,485
Total functional expenses	$ 838,116	$ 282,135	$ 1,120,251	$ 893,671	$ 344,534	$ 1,238,205

See independent auditors' report and accompanying notes to the financial statements

DR. ROBERT H. FAULKNER ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ (36,241)	$ (49,776)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities		
Depreciation	26,652	28,077
Loss on disposal of fixed assets	531	-
Changes in certain assets and liabilities:		
Grants receivable	4,424	24,075
Prepaid expenses	606	3,434
Accounts payable and accrued expenses	45,678	(51,494)
Refundable advances	3,529	924
Net cash provided by (used in) operating activities	45,179	(44,760)
INVESTING ACTIVITIES		
Purchases of property and equipment	(33,622)	-
CHANGE IN CASH	11,557	(44,760)
CASH, BEGINNING OF YEAR	349,870	394,630
CASH, END OF YEAR	$ 361,427	$ 349,870
SUPPLEMENTAL INFORMATION		
Purchases of property and equipment financed through accounts payable	$ 57,777	$ -

NOTE 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.

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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of 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

Subsequent Events – The School evaluated subsequent events through September 6, 2016, 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 2015 that were previously reported have been reclassified for comparative purposes.

NOTE 2 – 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, 2016 and 2015 was $107,216 and $105,873, respectively. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

2017	$ 106,794
2018	106,794
2019	3,596

NOTE 3 – 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 $6,727 and $7,021 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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. Expense under this charter agreement was $18,965 and $19,732 for the years ended June 30, 2016 and 2015, 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 state education support revenue, as defined, for these services. Such fees for the years ended June 30, 2016 and 2015 were $16,493 and $19,702, 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 state education support revenues, as defined, for this service. Such fees for the years ended June 30, 2016 and 2015 were $32,986 and $39,405, respectively.

NOTE 5 – 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, 2016 and 2015, 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.

NOTE 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.

DR. ROBERT H. FAULKNER ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2016

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.*

SUPPLEMENTAL AUDIT REPORT
OF
DR. ROBERT H. FAULKNER ACADEMY, INC.

GRANT COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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DR. ROBERT H. FAULKNER ACADEMY, INC.
GRANT COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	Jeanne Goble	07/01/15 – 06/30/16
School Director	Janice Adams	07/01/15 – 06/30/16
School Treasurer	Arthur Faulkner	07/01/15 – 06/30/16

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The Board of Directors
Dr. Robert H. Faulkner Academy, Inc.

We have audited the consolidated financial statements of Dr. Robert H. Faulkner Academy, Inc. (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated September 6, 2016. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
September 6, 2016

PAYROLL POLICIES AND COMPLIANCE

We selected a sample of fifteen employees from the 2016 fiscal year with which to test the process for calculating, accumulating and recording payroll expense. From this sample, the School could not produce contracts for three employees that agreed to the amounts they were compensated. One of these errors related to the contract for the School Leader, for whom contracts are not executed every year. The other two errors related to employees who had pay rate changes mid-year which were approved by resolution of the Board of Directors, but not documented in signed contracts.

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. Compensation must be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

DR. ROBERT H. FAULKNER ACADEMY, INC.
GRANT COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on September 6, 2016 with Mrs. Jeanne Goble (President of Board of Directors), Mrs. Kelli Dilley (Office Manager). The Official Response has been made a part of this report and may be found on page 5.

DR. ROBERT H. FAULKNER ACADEMY

"Stop • Think • Achieve"

September 1, 2016

Donovan CPAs/Advisors
9245 N. Meridian Street, Suite 302
Indianapolis, IN 46260

RE: Official Response

Dr. Robert H. Faulkner Academy's response to the audit result is:

- *Payroll Policies and Compliance*:

  Dr. Robert H. Faulkner Academy will secure updated contracts for each employee whenever a change in pay or status occurs. Dr. Robert H. Faulkner Academy will also require Leona Group to provide a School Leader contract during each contract cycle.

  Please see the attached documents.

Thank you for assisting with our audit.

Sincerely,

Kelli D. Dilley

Kelli Dilley
Office Manager

1111 West 2nd Street, Marion IN 46952 · Phone 765.662.9910 · Fax 765.662.9918

A School of Choice

GARY MIDDLE COLLEGE, INC.

FINANCIAL STATEMENTS
June 30, 2016 and 2015

GARY MIDDLE COLLEGE, INC.

FINANCIAL STATEMENTS
June 30, 2016 and 2015

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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 statements of financial position as of June 30, 2016 and 2015, 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 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, 2016 and 2015, and the changes in its net assets and its cash flows the years then ended in conformity with accounting principles generally accepted in the United States.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 4, 2016

GARY MIDDLE COLLEGE, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents	$ 327,458	$ 365,058
Grants receivable	54,500	38,530
Prepaid expenses	11,207	16,684
Due from related parties	4,850	1,008
Property and equipment, net	354,553	411,429
Total assets	$ 752,568	$ 832,709
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	86,897	88,875
Due to related parties	43,657	6,196
Note payable	200,000	-
Total liabilities	330,554	95,071
NET ASSETS		
Unrestricted	422,014	737,638
Total liabilities and net assets	$ 752,568	$ 832,709

See accompanying notes to financial statements.

GARY MIDDLE COLLEGE, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2016 and 2015

	2016	2015
Public support and revenues		
Federal grants	$ 63,705	$ 62,240
State and local grants	1,429,355	1,603,666
Supporting services	1,000	21,423
Loss on disposal of property and equipment	-	(17,050)
Total revenue and support	1,494,060	1,670,279
Expenses		
Federal grant funded program activities	63,705	65,365
State and local grant funded program activities	858,765	834,705
School operations and building services	602,332	541,199
Education supporting services	276,149	214,008
Total program expenses	1,800,951	1,655,277
Management and general	8,733	16,978
Total expenses	1,809,684	1,672,255
Change in net assets	(315,624)	(1,976)
Net assets, beginning of year	737,638	739,614
Net assets, end of year	$ 422,014	$ 737,638

See accompanying notes to financial statements.

GARY MIDDLE COLLEGE, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (315,624)	$ (1,976)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	91,735	88,830
Loss on disposal of property and equipment	-	17,050
Change in assets and liabilities		
Grants receivable	(15,970)	26,960
Prepaid expenses	5,477	(10,728)
Due to/from related parties	33,619	45,333
Accounts payable and other accrued expenses	(1,978)	6,372
Net cash from operating activities	(202,741)	171,841
Cash flows from investing activities		
Purchases of property and equipment	(34,859)	(62,813)
Net cash from investing activities	(34,859)	(62,813)
Cash flows from financing activities		
Proceeds from issuance of note payable	200,000	-
Net cash from financing activities	200,000	-
Net change in cash and cash equivalents	37,600	109,028
Cash and cash equivalents, beginning of year	365,058	256,030
Cash and cash equivalents, end of year	$ 327,458	$ 365,058

See accompanying notes to financial statements.

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.

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 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, 2016 and 2015.

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. Bank balances may periodically exceed FDIC insured limits. For the purpose of the statement of cash flows, the School considers all highly liquid 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, 2016 and 2015. 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, 2016 and 2015, 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, accounts payable and note payable, approximate fair values. Grants receivable are not readily marketable. The School has estimated their fair value to be the carrying value.

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, 2016 and 2015.

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, 2016 and 2015.

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 2016 and 2015, expenses totaling $30,348 and $19,775, were incurred for advertising.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. The reclassifications had no effect on results of operations or net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2016, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2016. Management has performed their analysis through November 4, 2016, 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:

	2016	2015
Property and equipment	$ 633,132	$ 598,273
Less: accumulated depreciation	(278,579)	(186,844)
	$ 354,553	$ 411,429

Depreciation expense for the years ended June 30, 2016 and 2015 were $91,735 and $88,830, respectively.

NOTE 3 - LEASES

The School leases space from 21st Century Charter Schools @ Gary, Inc., a related entity. This lease expired June 30, 2016, and is being renewed on an annual basis. Rent expense totaled $300,000 for the years ended June 30, 2016 and 2015.

Future minimum lease payments under operating leases at June 30, 2016, are as follows:

2017	$ 300,000
	$ 300,000

NOTE 4 - NOTE PAYABLE

Note payable consisted of the following at June 30:

	2016
Note payable to State of Indiana to support school operations, payable semi-annually beginning January 2017, plus interest computed at 1.00%, through maturity in August 2026.	$ 200,000

The estimated future principal payments due on the note payable are:

2017	$ 20,000
2018	20,000
2019	20,000
2020	20,000
2021	20,000
Thereafter	100,000
	$ 200,000

Interest expense during the year ending June 30, 2016 was $1,005.

NOTE 5 - RELATED PARTY TRANSACTIONS

The School has a management agreement with the Greater Education Opportunities Foundation, Inc., (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 years ended June 30, 2016 and 2015, the School paid GEOF fees of $156,000 and $200,000, respectively. 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, 2016 and 2015, the School had a payable to GEOF for $16,428 and $4,208, respectively. There was no receivable outstanding at June 30, 2016 and 2015.

At June 30, 2016 and 2015, the School had a receivable balance in the amount of $4,850 and $1,008 due from 21st Century Charter School @ Gary, Inc. and a payable to 21st Century Charter School @ Gary, Inc. in the amount of $27,229 and $1,988 for various payroll transactions between these entities.

NOTE 6 - 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 $24,385 and $24,143 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 - 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 years ended June 30, 2016 and 2015.

The School participates in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The School employees are required to contribute three percent of their annual covered salary. The School is required to contribute an actuarially determined rate determined annually for PERF and TRF. The School's expense for the years ended June 30, 2016 and 2015 were $42,436 and $33,571, respectively.

SUPPLEMENTARY INFORMATION

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.*

INDIANA STATE BOARD OF ACCOUNTS
COMPLIANCE REPORT OF
GARY MIDDLE COLLEGE, INC.

LAKE COUNTY, INDIANA
July 1, 2015 to June 30, 2016

GARY MIDDLE COLLEGE, INC.

LAKE COUNTY, INDIANA
July 1, 2015 to June 30, 2016

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GARY MIDDLE COLLEGE, INC.
SCHOOL OFFICIALS

Office	Official	Term
Principal	Joe Arredondo	July 1, 2015 to June 30, 2016
Treasurer	Dana Johnson Teasley	July 1, 2015 to June 30, 2016
President of the Charter Board	Arlene Colvin	July 1, 2015 to June 30, 2016

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT ACCOUNTANTS REPORT ON COMPLIANCE
WITH GUIDELINES FOR THE AUDITS OF CHARTER
SCHOOLS PERFORMED BY PRIVATE EXAMINERS

Board of Directors
Gary Middle College, Inc.
Gary, Indiana

We have audited the financial statements of Gary Middle College, Inc. ("School") as of and for the year ended June 30, 2016, and have issued our report thereon, dated November 4, 2016.

In connection with that audit and with our consideration of School's internal control as required by the *Guidelines for the Audits of Charter Schools Performed by Private Examiners* ("Guide"), issued by the Indiana State Board of Accounts, we performed procedures prescribed under the Guide for the year ended June 30, 2016.

As required by the Guide, we performed procedures to test compliance with the requirements that are applicable to the School. Our procedures were substantially narrower in scope than an audit, the objective of which is the expression of an opinion on the School's compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings as items 16-001 and 16-002.

The purpose of this report is solely to describe the scope of our testing over compliance with the requirements prescribed under the Guide and the results of that testing, and not to provide a legal determination of compliance with those requirements. Accordingly, this report is not suitable for any other purpose.

The School's responses to the findings identified are described in the accompanying Schedule of Findings. The School's responses were not subjected to the procedures applied and, accordingly, we express no opinion on them.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 4, 2016

FINDING 16-001: CREDIT CARDS

Criteria: Part 10 of the Indiana Charter School Manual states in part, "Payment shall not be made on the basis of a statement or a credit card slip only. Procedures for payments shall be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee shall be the responsibility of that officer or employee."

Condition: During our testing of travel expenditures, it was noted that for three transactions, in a sample of 10, the School did not maintain a copy of a receipt to support the expenditure.

Recommendation: We recommend the School issue, and retain copies of, receipts at the time of the transaction for all receipts of funds. All receipts should be reviewed and acknowledged by signature of the Treasurer, or equivalent.

Management Response: Management has added an additional layer of review for all credit card expenditures to ensure receipts are properly included

FINDING 16-002: DEPOSIT OF ACCOUNTABLE ITEMS

Criteria: Part 10 of the Indiana Charter School Manual, in accordance with IC 5-13-6-1 states "The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payer's. The charter school's receipt of monies must agree to the ticket sales reports, all monies must be deposited daily, and all tickets are accounted for on the SA-4 Ticket Sales Form."

Condition: During our testing of ticket sales, it was noted that none of the 5 sales selected for testing were being deposited daily.

Recommendation: We recommend the School implement a policy ensuring all ticket sales monies are being deposited on a daily basis.

Management Response: The person responsible for the deposits recently has obtained professional development for State Board of Accounts requirements. She is aware of the daily deposit requirement.

EXIT CONFERENCE

The contents of this report were discussed on October 20, 2016, with Dana Johnson Teasley, Treasurer. The Official Response has been made a part of this report and may be found immediately following the findings on page(s) three and four.

MONTESSORI ACADEMY AT GEIST, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

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, 2016 and 2015, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

Indianapolis, Indiana
December 12, 2016

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 2,728,959	$ 247,314
Accounts receivable	7,549	4,109
Due from affiliated entity	29,933	7,939
Prepaid expenses	38,126	38,126
Total current assets	2,804,567	297,488
PROPERTY AND EQUIPMENT		
Leasehold improvements	163,687	143,687
Furniture and equipment	282,745	269,124
Textbooks	11,172	11,172
Less: accumulated depreciation	(304,126)	(268,340)
Property and equipment, net	153,478	155,643
OTHER ASSETS		
Security deposit	11,000	11,000
TOTAL ASSETS	$ 2,969,045	$ 464,131
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	$ 109,068	$ -
Accounts payable and accrued expenses	85,999	100,301
Deferred revenue	43,023	10,167
Refundable advances	12,000	10,022
Total current liabilities	250,090	120,490
NOTE PAYALBE, NET OF CURRENT PORTION	2,072,300	-
Total liabilities	2,322,390	120,490
NET ASSETS, UNRESTRICTED	646,655	343,641
TOTAL LIABILITIES AND NET ASSETS	$ 2,969,045	$ 464,131

See independent auditors' report and accompanying notes to the financial statements

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 2,203,291	$ 2,139,481
Grant revenue	241,169	94,046
Student fees	79,505	88,918
Contributions	-	317
Other income	112,457	21,229
Total revenue and support	2,636,422	2,343,991
EXPENSES		
Program services	1,897,888	1,819,468
Management and general	435,520	420,628
Total expenses	2,333,408	2,240,096
CHANGE IN NET ASSETS	303,014	103,895
NET ASSETS, BEGINNING OF YEAR	343,641	239,746
NET ASSETS, END OF YEAR	$ 646,655	$ 343,641

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program	Management and General	Total	Program	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 958,014	$ 249,633	$ 1,207,647	$ 911,501	$ 223,490	$ 1,134,991
Employee benefits	158,710	63,466	222,176	151,056	49,691	200,747
Professional services	180,261	10,564	190,825	149,802	42,307	192,109
Authorizer oversight fees	-	53,839	53,839	-	46,134	46,134
Staff development and recruitment	16,725	-	16,725	36,921	175	37,096
Food costs	3,093	-	3,093	2,554	-	2,554
Property rental and equipment	23,526	-	23,526	20,195	-	20,195
Classroom, kitchen, and office supplies	76,912	6,251	83,163	48,606	13,256	61,862
Occupancy	423,148	-	423,148	432,840	-	432,840
Depreciation	35,786	-	35,786	43,152	-	43,152
Advertising	-	7,074	7,074	-	3,250	3,250
Insurance	-	25,621	25,621	-	24,856	24,856
Repairs and maintenance	2,494	-	2,494	736	-	736
Other	19,219	19,072	38,291	22,105	17,469	39,574
Total functional expenses	$ 1,897,888	$ 435,520	$ 2,333,408	$ 1,819,468	$ 420,628	$ 2,240,096

See independent auditors' report and accompanying notes to the financial statements

MONTESSORI ACADEMY AT GEIST, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 303,014	$ 103,895
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,786	43,152
Change in certain assets and liabilities:		
Accounts receivable	(3,440)	(2,193)
Due from affiliated entity	(21,994)	(2,130)
Prepaid expense	-	(5,121)
Accounts payable and accrued expenses	(14,302)	34,289
Deferred revenue	32,856	(13,936)
Refundable advances	1,978	22
Net cash provided by operating activities	333,898	157,978
INVESTING ACTIVITIES		
Purchases of property and equipment	(33,621)	(14,484)
FINANCING ACTIVITIES		
Proceeds from note payable	2,181,368	-
NET CHANGE IN CASH	2,481,645	143,494
CASH, BEGINNING OF YEAR	247,314	103,820
CASH, END OF YEAR	$ 2,728,959	$ 247,314

See independent auditors' report and accompanying notes to the financial statements

MONTESSORI ACADEMY AT GEIST, INC
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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 is sponsored by Ball State University. The School serves approximately 355 students in grades kindergarten to eight by providing an alternative to the traditional public schools.

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

Taxes on Income – The School 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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of 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	10 to 12 years
Furniture and equipment	3 to 5 years
Textbooks	3 years

Deferred Revenue – Deferred revenue 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 December 12, 2016, 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.

NOTE 2 - NOTE PAYABLE

The note payable consisted of the following at June 30, 2016:

Note payable to State Board of Education, payable $109,068 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in June 2016. First payment due January 1, 2017.	$	2,181,368
Less: current portion		(109,068)
Long-term portion	$	2,072,300

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

Principal maturities of the note payable are as follows for the years ending June 30:

2017	$	109,068
2018		218,137
2019		218,137
2020		218,137
2021		218,137
Thereafter		1,199,752
	$	2,181,368

NOTE 3 - LEASES

The School leases its education facilities as well as certain items of office equipment under operating leases for terms from three to seven years. The facility leases include options to renew and provisions for rate escalation based on the Consumer Price Index. Under one facility lease, the School is responsible for insurance, taxes, repairs and utilities. Another facility lease provides for early termination by the School subject to a buyout provision. Expense under operating leases for the years ended June 30, 2016 and 2015 were $392,828 and $400,449, respectively.

Future minimum lease obligations under noncancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

2017	$	378,031
2018		246,031
2019		246,031
2020		60,494

NOTE 4 - RETIREMENT PLAN

Retirement benefits for School employees are provided under a Section 403(b) defined contribution retirement plan. Under the plan, the School matches 100% of each participant's 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 2016 and 2015. Retirement plan expense for the years ended June 30, 2016 and 2015 was $30,973 and $11,658, respectively.

NOTE 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 $53,839 and $46,134 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

NOTE 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, 2016 and 2015, the School had refundable grant advances in excess of expenditures of $12,000 and $10,022, respectively.

NOTE 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.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. Cash deposits are maintained at BMO Harris Bank and are insured up to the FDIC insurance limit.

NOTE 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 and management services.

MONTESSORI ACADEMY AT GEIST, INC
OTHER REPORT
For the Year Ended June 30, 2016

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*.

SUPPLEMENTAL AUDIT REPORT

OF

MONTESSORI ACADEMY AT GEIST, INC.

HANCOCK COUNTY, INDIANA

July 1, 2015 to June 30, 2016

DONOVAN

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MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	Robert McGauley	07/01/15 – 06/30/16
Executive Director	Susan Fries	07/01/15 – 06/30/16
Controller	Karinda Holland	07/01/15 – 06/30/16

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The Board of Directors
Montessori Academy at Geist, Inc.

We have audited the financial statements of Montessori Academy at Geist, Inc. (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated December 12, 2016. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
December 12, 2016

www.cpadonovan.com
Avon Office | 5151 E. U.S. HWY 36 Avon, IN 46123 | 317.745.6411
Indianapolis Office | 9245 North Meridian Street, Ste. 302 Indianapolis, IN 46260 | 317.844.8300

MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
Audit Results and Comments
July 1, 2015 to June 30, 2016

REQUIRED REPORTS

The financial report to the Indiana Department of Education (Form 9) submitted by the School did not properly reflect the cash activity for the period from July 1, 2015 to June 30, 2016. Expenditures reported in fund 5250 did not accurately reflect the grant activity within the fund. Expenditures per the fund were in excess of those applied to the grant by $23,687.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

CASH RECEIPTS AND DEPOSITS

In our audit, we examined records relating to cash receipts at the School pertaining to such items as material fees, field trips and donations. In our sample of 25 cash receipts, we noted five instances where the deposit of the receipted funds was not made timely. The delay ranged from seven to twelve days between the date of receipt and date of deposit.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on December 12, 2016 with Susan Fries (Executive Director), Karinda Holland (Controller), and Robert McGauley (Board President). The Official Response has been made a part of this report and may be found on page 5.

MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
Official Response
July 1, 2015 to June 30, 2016

OFFICIAL RESPONSE TO FINDINGS

In response to the finding about the expenditures reported in Fund 5250, we will make sure that only the expenditures received from the grant are in this category and move the difference to the general fund.

In response to the finding about Receipts & Deposits, since having this finding in last year's audit we have made sure to go to the bank 2-3 times per week if needed, 4 out of the 5 instances were all dated prior to last year's audit report.

HOOSIER ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' Report

The Board of Directors
Hoosier Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Hoosier Academy, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

Basis for Qualified Opinion

As presented in Note 2 to the financial statements, in 2013, the Indiana Legislature passed amendments to the Indiana Charter Schools Act that resulted in the suspension of funding in the amount of $4,996,296. Hoosier Academy, Inc. believes that this was not the intent of the legislation and has appealed 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, 2016 and 2015. 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 Hoosier Academy, Inc. were to recognize this gain contingency when realized, a write down of receivables in the amount of $4,996,296 would be required as of June 30, 2016 and 2015. Accordingly, unrestricted net assets as of June 30, 2016 and 2015 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, Inc. as of June 30, 2016 and 2015 and the changes in its net assets, functional expenses, and 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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Likewise, the Combining Schedules of Financial Position by School on pages 15 and 16 and the Combining Schedules of Activities and Change in Net Assets by School on pages 17 and 18 are presented for purposes of additional analysis and are 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, 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 23, 2016 on our consideration of Hoosier 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 Hoosier Academy, Inc.'s internal control over financial reporting and compliance.

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Indianapolis, Indiana
December 23, 2016

HOOSIER ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 947,249	$ 1,585,679
Accounts Receivable:		
State education support	4,996,296	4,996,296
Grants	286,859	882,398
K12 Classroom, LLC	22,436	17,417
Prepaid expenses	47,501	92,901
Total current assets	6,300,341	7,574,691
PROPERTY AND EQUIPMENT		
Buildings and improvements	777,312	777,312
Furniture and equipment	1,286,034	1,170,687
Less: accumulated depreciation	(1,510,705)	(1,374,445)
Property and equipment, net	552,641	573,554
TOTAL ASSETS	$ 6,852,982	$ 8,148,245
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses:		
K-12 Classroom, LLC	$ 4,864,572	$ 7,503,150
Other	1,971,268	639,387
Refundable Advance	17,142	5,708
Total current liabilities	6,852,982	8,148,245
NET ASSETS, Unrestricted	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 6,852,982	$ 8,148,245

See independent auditors' report and accompanying notes to the financial statements

HOOSIER ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 22,869,344	$ 19,974,549
Grant revenue	1,347,787	1,580,958
Contributions	150	391
Student fees	96	905
Interest income	4,091	8,372
Other	27,590	6,661
Total revenue and support	24,249,058	21,571,836
EXPENSES		
Program services	19,739,493	19,036,571
Management and general	4,509,565	2,535,265
Total expenses	24,249,058	21,571,836
CHANGE IN NET ASSETS	-	-
NET ASSETS, BEGINNING OF YEAR	-	-
NET ASSETS, END OF YEAR	$ -	$ -

HOOSIER ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 5,222,581	$ 584,653	$ 5,807,234	$ 4,707,110	$ 606,741	$ 5,313,851
Employee benefits	1,466,159	135,455	1,601,614	1,327,476	139,064	1,466,540
Staff development and recruitment	124,338	-	124,338	45,479	-	45,479
Professional services	2,596,432	425,328	3,021,760	2,514,895	314,987	2,829,882
Management services	-	2,297,129	2,297,129	-	568,109	568,109
Food costs	11,646	-	11,646	15,720	-	15,720
Authorizer oversight fee	-	538,000	538,000	-	450,088	450,088
Equipment rental and maintenance	1,372,997	-	1,372,997	1,421,044	-	1,421,044
Classroom and office supplies	8,162,077	166,978	8,329,055	8,542,976	116,521	8,659,497
Occupancy	506,831	-	506,831	98,527	-	98,527
Depreciation	136,260	-	136,260	186,478	-	186,478
Other	140,172	362,022	502,194	176,866	339,755	516,621
Total functional expenses	$ 19,739,493	$ 4,509,565	$ 24,249,058	$ 19,036,571	$ 2,535,265	$ 21,571,836

HOOSIER ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ -	$ -
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Depreciation	136,260	186,478
Changes in certain assets and liabilities:		
Accounts receivable	590,520	37,902
Prepaid expenses	45,400	251
Accounts payable and accrued expenses	(1,306,697)	(2,665,731)
Refundable advances	11,434	-
Net cash used in operating activities	(523,083)	(2,441,100)
INVESTING ACTIVITIES		
Purchases of property and equipment	(115,347)	-
NET CHANGE IN CASH	(638,430)	(2,441,100)
CASH, BEGINNING OF YEAR	1,585,679	4,026,779
CASH, END OF YEAR	$ 947,249	$ 1,585,679

See independent auditors' report and accompanying notes to the financial statements

HOOSIER ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Hoosier Academy, Inc. ("Hoosier Academy") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, and is the organizer and governing body of two charter schools located in Indianapolis, Indiana. Each of the schools are public charter schools established under Indiana Code 20-24 and sponsored by Ball State University. One school is a virtual school offering an on-line curriculum that is open to students throughout the State of Indiana. Hoosier Academy, Inc. 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, Hoosier Academy receives an amount per student similar to the funding received by other public schools in Indiana. 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 Hoosier Academy's revenue is the product of cost reimbursement grants. Accordingly, Hoosier Academy 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 programs and legislation enacted by the State of Indiana. Hoosier Academy 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.

Property and Equipment – Purchases of 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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require Hoosier Academy 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 has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ended after 2012 are open to audit for both federal and state purposes.

Subsequent Events – Hoosier Academy evaluated subsequent events through December 23, 2016, 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.

NOTE 2 - 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, 2016 and 2015:

Tuition support	$	8,993,977
Special education grant		1,190,101
Prime time grant		10,804
Honors grant		1,350
		10,196,232
Less: allowance for Common School loan forgiveness		(5,199,936)
	$	4,996,296

Hoosier Academy'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.

NOTE 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 were 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. Hoosier Academy applied for and was forgiven from repaying the balance of its indebtedness plus accrued interest of $5,199,936 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.

NOTE 3 - LEASES

Hoosier Academy leases its 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. Hoosier Academy also leases certain items of office equipment under an operating lease, which provides for monthly payments through August 2020. Rent expense for the years ended June 30, 2016 and 2015 under these operating leases was $426,791 and $430,867, respectively.

Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

2017	$	264,528
2018		10,704
2019		10,704
2020		10,704
2021		1,784

NOTE 4 - COMMITMENTS

Hoosier Academy operates its schools under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, Hoosier Academy has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Payments under the charter agreements were $538,000 and $450,088 for the years ended June 30, 2016 and 2015, respectively. The charters remain in effect for Hoosier Academies Indianapolis and Hoosier Academies Virtual School until June 30, 2021 and June 30, 2018, respectively, and are renewable thereafter by mutual consent.

Hoosier Academy has contracted with K12 Classroom, LLC to provide administrative and technology services. Under the terms of the agreement, Hoosier Academy has agreed to pay an amount equal to 22% of revenues, as defined, for such services. Such fees for the years ended June 30, 2016 and 2015 were $5,493,418 and $4,617,445, respectively. Hoosier Academy also purchases certain other curriculum materials and supplies for which it is billed as goods and services are received. Such purchases aggregated $13,470,980 and $11,150,418 for the years ended June 30, 2016 and 2015, respectively. This agreement remains in effect until June 30, 2021.

K12 Classroom, LLC has agreed to issue credits against the amounts billed for services and products provided, if needed, to ensure that Hoosier Academy does not end a fiscal year with a financial deficit.

For the years ended June 30, 2016 and 2015, service fees were reduced as follows:

	Administrative and Technology Fees	Other Service Fees
Year Ended June 30, 2016		
Charges per contract	$ 5,493,418	$ 13,470,980
Credit issued by K12 Classroom LLC	(1,817,800)	(3,330,342)
Net charges	$ 3,675,618	$ 10,140,638
Year Ended June 30, 2015		
Charges per contract	$ 4,617,445	$ 11,150,418
Credit issued by K12 Classroom LLC	(2,703,916)	(1,356,299)
Net charges	$ 1,913,529	$ 9,794,119

The deficit credits provided by K12 Classroom, LLC are subject to repayment if Hoosier Academy 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. Hoosier Academy is not able to estimate the amount of the repayment, if any, expected to be made in future years.

NOTE 5 - RETIREMENT PLANS

Hoosier Academy provides retirement benefits covering substantially all full-time employees. 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 determined annually by the INPRS Board. For the years ended June 30, 2016 and 2015, Hoosier Academy contributed 7.5% of compensation for eligible teaching personnel to TRF. Should Hoosier Academy elect to withdraw from TRF, it could be subject to a withdrawal fee. Hoosier Academy's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2015 (the latest year reported), TRF was more than 80% funded.

In lieu of TRF, employees can opt to participate in a Section 403(b) plan sponsored by K12, Inc. Under this plan, Hoosier Academy contributes 7% of compensation, as defined. Additional contributions may be made at the discretion of the Board of Directors. No discretionary contributions were made in 2016 or 2015. Retirement plan expense under both plans was $361,088 and $337,312 for the years ended June 30, 2016 and 2015, respectively.

NOTE 6 - RISKS AND UNCERTAINTIES

Hoosier Academy provides educational instruction services to families residing in Marion and surrounding counties in Indiana, and 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 Hoosier Academy. Additionally, Hoosier Academy 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 Hoosier Academy to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2016, 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.

NOTE 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.

HOOSIER ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

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		$	241,700
Special Education Cluster				
Special Education - Grants to States	84.027	14216-538-PN01 14215-538-PN01 14216-523-PN01 14215-523-PN01		516,960
Improving Teacher Quality State Grants	84.367			234,455
Total federal awards expended			$	993,115

See independent auditors’ report and accompanying notes to this schedule

HOOSIER ACADEMY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Hoosier Academy, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Hoosier Academy, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Hoosier Academy, Inc.

NOTE 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

HOOSIER ACADEMY, INC.

COMBINING SCHEDULE OF FINANCIAL POSITION

June 30, 2016

	Hoosier Academy Indianapolis	Hoosier Academy Virtual	Combined Balances
ASSETS			
CURRENT ASSETS			
Cash	$ 132,707	$ 814,542	$ 947,249
Accounts Receivable:			
State education support	163,940	4,832,356	4,996,296
Grants	21,888	264,971	286,859
K12 Classroom, LLC	14,843	7,593	22,436
Prepaid expenses	42,117	5,384	47,501
Total current assets	375,495	5,924,846	6,300,341
PROPERTY AND EQUIPMENT			
Leasehold improvements	777,312	-	777,312
Furniture and equipment	952,135	333,899	1,286,034
Less: accumulated depreciation	(1,225,106)	(285,599)	(1,510,705)
Property and equipment, net	504,341	48,300	552,641
TOTAL ASSETS	$ 879,836	$ 5,973,146	$ 6,852,982
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses:			
K12 Classroom, LLC	$ 522,981	$ 4,341,591	$ 4,864,572
Other	352,176	1,619,092	1,971,268
Refundable advance	4,679	12,463	17,142
Total current liabilities	879,836	5,973,146	6,852,982
NET ASSETS, Unrestricted	-	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 879,836	$ 5,973,146	$ 6,852,982

See independent auditors' report

HOOSIER ACADEMY, INC.

COMBINING SCHEDULE OF FINANCIAL POSITION

June 30, 2015

	Hoosier Academy Indianapolis	Hoosier Academy Virtual	Combined Balances
ASSETS			
CURRENT ASSETS			
Cash	$ 292,766	$ 1,292,913	$ 1,585,679
Accounts Receivable:			
State education support	163,940	4,832,356	4,996,296
Grants	62,822	819,576	882,398
K12 Classroom, LLC	4,362	13,055	17,417
Prepaid expenses	58,530	34,371	92,901
Total current assets	582,420	6,992,271	7,574,691
PROPERTY AND EQUIPMENT			
Leasehold improvements	777,312	-	777,312
Furniture and equipment	836,788	333,899	1,170,687
Less: accumulated depreciation	(1,151,776)	(222,669)	(1,374,445)
Property and equipment, net	462,324	111,230	573,554
TOTAL ASSETS	$ 1,044,744	$ 7,103,501	$ 8,148,245
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued expenses:			
K12 Classroom, LLC	$ 951,366	$ 6,551,784	$ 7,503,150
Other	90,378	549,009	639,387
Refundable advance	3,000	2,708	5,708
Total current liabilities	1,044,744	7,103,501	8,148,245
NET ASSETS, Unrestricted	-	-	-
TOTAL LIABILITIES AND NET ASSETS	$ 1,044,744	$ 7,103,501	$ 8,148,245

HOOSIER ACADEMY, INC.

COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2016

	Hoosier Academy Indianapolis	Hoosier Academy Virtual	Combined Balances
REVENUE AND SUPPORT			
State education support	$ 1,530,611	$ 21,338,733	$ 22,869,344
Grant revenue	229,382	1,118,405	1,347,787
Contributions	150	-	150
Student fees	96	-	96
Interest income	681	3,410	4,091
Other	22,692	4,898	27,590
Total revenue and support	1,783,612	22,465,446	24,249,058
EXPENSES			
Program services	1,778,116	17,961,377	19,739,493
Management and general	5,496	4,504,069	4,509,565
Total expenses	1,783,612	22,465,446	24,249,058
CHANGE IN NET ASSETS	-	-	-
NET ASSETS, BEGINNING OF YEAR	-	-	-
NET ASSETS, END OF YEAR	$ -	$ -	$ -

HOOSIER ACADEMY, INC.

COMBINING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Year Ended June 30, 2015

	Hoosier Academy Indianapolis	Hoosier Academy Virtual	Combined Balances
REVENUE AND SUPPORT			
State education support	$ 1,630,889	$ 18,343,660	$ 19,974,549
Grant revenue	135,244	1,445,714	1,580,958
Contributions	391	-	391
Student fees	905	-	905
Interest income	2,143	6,229	8,372
Other	2,375	4,286	6,661
Total revenue and support	1,771,947	19,799,889	21,571,836
EXPENSES			
Program services	1,380,803	17,655,768	19,036,571
Management and general	391,144	2,144,121	2,535,265
Total expenses	1,771,947	19,799,889	21,571,836
CHANGE IN NET ASSETS	-	-	-
NET ASSETS, BEGINNING OF YEAR	-	-	-
NET ASSETS, END OF YEAR	$ -	$ -	$ -

See independent auditors' report

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INDEPENDENT AUDITORS' 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, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hoosier Academy, Inc.'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 Hoosier Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hoosier Academy, Inc.'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 Hoosier Academy, Inc.'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 Hoosier Academy, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hoosier Academy, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

Indianapolis, Indiana
December 23, 2016

DONOVAN
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Directors
Hoosier Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited Hoosier Academy, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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, 2016. The School's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Hoosier Academy, Inc.'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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 Hoosier Academy, Inc.'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 Hoosier Academy, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Hoosier 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, 2016.

Report on Internal Control over Compliance

Management of Hoosier 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 Hoosier Academy, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the Uniform Guidance, 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 Hoosier Academy, Inc.'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN

Donovan

Indianapolis, Indiana
December 23, 2016

HOOSIER ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Qualified Opinion
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Special Education Cluster
84.027	Special Education - Grants to States

Dollar threshold use to distinguish between Type A and Type B programs:	$750,000
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.

HOOSIER ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2016

The reports presented herein were prepared in addition to another official report prepared for Hoosier Academy, Inc. as listed below:

Supplemental Audit Report of Hoosier 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*.

SUPPLEMENTAL AUDIT REPORT

OF

HOOSIER ACADEMY, INC.

MARION COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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HOOSIER ACADEMY, INC.
MARION COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
Board President	John Marske	07/01/15 – 06/30/16
Head of School	Byron Ernest	07/01/15 – 07/31/16
School Treasurer	Byron Ernest	07/01/15 – 06/30/16

The Board of Directors
Hoosier Academy, Inc.

We have audited the financial statements of Hoosier Academy, Inc. (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated December 23, 2016. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
December 23, 2016

CASH RECEIPTS AND DEPOSITS

In our audit, we examined records relating to cash received at the schools pertaining to such items as testing, reimbursements, and room rentals. We selected 25 receipts from the School's receipt books for the year. From these cash receipts transactions, we noted the following issues:

- For 19 of the 25 receipts tested, funds were not deposited in a timely manner.
- For 3 of the 25 receipts tested, the School was unable to provide documentation to show that the funds were included in a deposit.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

ELIGIBILITY VERIFICATION

In our audit of textbook reimbursements, we selected twenty students to verify eligibility determinations made by the school official. In order to be eligible for textbook reimbursement, students must qualify for either free or reduced meal assistance. For three of the students tested, we determined they did not qualify for free or reduced meals and should not have been included on the claim for textbook reimbursement.

The local educational agency must determine household eligibility for free or reduced price meals either through direct certification or the application process at or about the beginning of the school year. [7 CFR, part 245.6(c)]

Charter schools 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. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

HOOSIER ACADEMY, INC.
MARION COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on December 23, 2016 with Gary Meyer (Board Treasurer), Byron Ernest (Head of Schools), Kathy Coe (Operations Manager), and Patti Ashley (Finance Manager, K12, Inc.). The Official Response has been made a part of this report and may be found on page 5.

2300 Corporate Park Drive Herndon, VA 20171

Management Responses to FY2016 Supplemental Audit Report

Title	Finding	Recommendations	Actions
Cash Receipts and Deposits	In our audit, we examined records relating to cash received at the schools pertaining to such items as testing, reimbursements, and room rentals. We tested 25 receipts, which constituted all recorded activity for the year. From these cash receipts transactions, we noted the following issues: • For 19 of the 25 receipts tested, funds were not deposited in a timely manner. • For 3 of the 25 receipts tested, the School was unable to provide documentation to show that the funds were included in a deposit.	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 Charter Schools, Part 8) *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 Charter Schools, Part 10)*	The school revised their cash receipt and deposit procedu in FY16, after the completior of the FY15 audit. All deposits will be made according to Compliance Guidelines within a timely basis. A detailed deposit slip prepared and maintained fo each deposit. This is attache to the receipt from the bank and supporting documentation. The origina receipt is sent to Bookkeepir Plus. These receipts are maintained in the school offi and denote whether cash or checks are received.
Eligibility Verification	In our audit of textbook reimbursements we selected twenty students to verify eligibility determinations made by the school official. In order to be eligible for textbook reimbursement, students must qualify for either free or reduced meal assistance. For three of the students tested, we determined they did not qualify for free or reduced meals and should not have been included on the claim for textbook reimbursement.	Charter schools are eligible for textbook reimbursement by completing a signed summary claim form to the DOE office of School Finance. This form reports the number of eligible students per grade level as well as the total cost of textbooks and consumable materials.	The school revisited their textbook reimbursement eligibility claim form process Student data is reviewed anc verified to ensure complianc

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INDIANA CONNECTIONS ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

Basis for Qualified Opinion

As presented in Note 2 to the financial statements, in 2013, 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 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, 2016 and 2015. 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, 2016 and 2015. Unrestricted net assets as of June 30, 2016 and 2015 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, 2016 and 2015, and the changes in its net assets, its functional expenses, 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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 Schedule of Expenditures of Federal Awards is 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 4, 2016 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.

DONOVAN

Donovan

Indianapolis, Indiana
November 4, 2016

INDIANA CONNECTIONS ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 4,866,274	$ 3,466,306
State tuition support receivable	3,848,885	3,848,885
Grants receivable	842,168	288,718
Other receivables	200	1,080
Prepaid expenses	-	16,090
Total current assets	9,557,527	7,621,079
PROPERTY AND EQUIPMENT		
Leasehold improvements	3,132	3,132
Furniture and equipment	78,950	78,950
Less: accumulated depreciation	(37,866)	(25,314)
Property and equipment, net	44,216	56,768
TOTAL ASSETS	$ 9,601,743	$ 7,677,847
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Connections Academy of Indiana, LLC	$ 8,971,088	$ 7,124,868
Accounts payable and accrued expenses	619,746	506,761
Refundable advances	-	35,398
Total current liabilities	9,590,834	7,667,027
NET ASSETS, UNRESTRICTED	10,909	10,820
TOTAL LIABILITIES AND NET ASSETS	$ 9,601,743	$ 7,677,847

See independent auditors' report and accompanying notes to the financial statements

INDIANA CONNECTIONS ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 23,152,821	$ 19,862,225
Grant revenue	1,210,721	1,236,248
Other income	28	658
Total revenue and support	24,363,570	21,099,131
EXPENSES		
Program services	22,073,700	19,105,818
Management and general	2,289,781	1,992,450
Total expenses	24,363,481	21,098,268
CHANGE IN NET ASSETS	89	863
NET ASSETS, BEGINNING OF YEAR	10,820	9,957
NET ASSETS, END OF YEAR	$ 10,909	$ 10,820

See independent auditors' report and accompanying notes to the financial statements

INDIANA CONNECTIONS ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 5,726,894	$ -	$ 5,726,894	$ 5,190,372	$ -	$ 5,190,372
Employee benefits	1,656,420	-	1,656,420	1,379,189	-	1,379,189
Staff development and recruitment	329,963	6,819	336,782	267,047	5,625	272,672
Authorizer oversight fees	-	519,136	519,136	-	412,015	412,015
Professional services	360,883	320,103	680,986	324,008	260,737	584,745
School administration and support services	3,177,530	1,317,975	4,495,505	2,561,438	1,197,119	3,758,557
Classroom and office supplies	6,791,374	-	6,791,374	5,987,253	-	5,987,253
Technology	3,184,226	-	3,184,226	2,774,668	-	2,774,668
Testing	563,524	-	563,524	404,341	-	404,341
Occupancy	159,560	-	159,560	141,953	-	141,953
Travel	19,921	-	19,921	22,959	-	22,959
Depreciation	12,552	-	12,552	12,818	-	12,818
Equipment	15,780	-	15,780	11,241	-	11,241
Repairs and maintenance	1,453	-	1,453	2,723	-	2,723
Insurance	-	8,482	8,482	-	8,364	8,364
Other	73,620	117,266	190,886	25,808	108,590	134,398
Total functional expenses	$ 22,073,700	$ 2,289,781	$ 24,363,481	$ 19,105,818	$ 1,992,450	$ 21,098,268

INDIANA CONNECTIONS ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 89	$ 863
Adjustments to reconcile change in net assets		
to net cash flows provided by operating activities:		
Depreciation	12,552	12,818
Changes in certain assets and liabilities:		
Grants receivable	(553,450)	3,112
Other receivables	880	(343)
Prepaid expenses	16,090	(3,722)
Due to Connections Academy of Indiana, LLC	1,846,220	235,776
Accounts payable and accrued expenses	112,985	20,289
Refundable advances	(35,398)	35,398
Net cash provided by operating activities	1,399,968	304,191
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(1,420)
NET CHANGE IN CASH	1,399,968	302,771
CASH, BEGINNING OF YEAR	3,466,306	3,163,535
CASH, END OF YEAR	$ 4,866,274	$ 3,466,306

See independent auditors' report and accompanying notes to the financial statements

NOTE 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. The School is available to students residing in the State of Indiana, and provides educational instruction to approximately 4,000 students in grades kindergarten through twelve.

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.

Property and Equipment – Purchases of 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 and 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, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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. Tax years after 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through November 4, 2016, 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.

NOTE 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 were 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.

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 and legal efforts are being made to resolve any outstanding obligations of the State. The School believes that these funds are owed and are realizable.

NOTE 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:

	2016	2015
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

NOTE 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 2016 and 2015. Retirement plan expense for the years ended June 30, 2016 and 2015 was $66,268 and $72,976, respectively.

NOTE 5 - LEASES

The School leases its operating facilities as well as certain items of office equipment under operating leases. Expense under operating leases for the years ended June 30, 2016 and 2015 was $159,560 and $141,953, respectively. Future minimum lease obligations for non-cancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

2017	$ 154,978
2018	157,860
2019	13,175

NOTE 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 $519,136 and $412,015 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2019, 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, 2019. Such fees were as follows for the years ended June 30:

	2016	2015
Enrollment/unit based fees	$ 11,257,917	$ 9,820,240
Revenue based fees	5,613,921	4,693,197
	16,871,838	14,513,437
Less: discretionary fee reduction	(1,894,000)	(1,600,500)
	$ 14,977,838	$ 12,912,937

NOTE 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, 2016 and 2015, substantially all of the receivable balance was due from the State of Indiana. In addition, cash deposits are maintained at PNC Bank, and are insured up to the FDIC insurance limit.

NOTE 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.

INDIANA CONNECTIONS ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

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	16-9905	$ 555,022
Special Education Cluster			
Special Education - Grants to States	84.027	15216-557-PN01	488,530
Improving Teacher Quality State Grants	84.367	15-9905	87,417
Total federal awards expended			$ 1,130,969

The accompanying notes are an integral part of this schedule.

INDIANA CONNECTIONS ACADEMY, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Indiana Connections Academy, Inc. (the "School") under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

NOTE 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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INDEPENDENT AUDITORS' 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, 2016 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 4, 2016.

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.

DONOVAN

Donovan

Indianapolis, Indiana
November 4, 2016

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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 U.S. *Office of Management and Budget (OMB) 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, 2016. The School's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 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, 2016.

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 as a basis for designing 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN

Donovan

Indianapolis, Indiana
November 4, 2016

INDIANA CONNECTIONS ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Qualified Opinion
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

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:	$750,000
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.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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 the statements of financial position as of June 30, 2016 and 2015, the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

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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. d/b/a Inspire Academy as of June 30, 2016 and 2015, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Indianapolis, Indiana
December 16, 2016

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 118,499	$ 164,435
Grants receivable	3,552	13,836
Other receivables	2,999	2,603
Prepaid expenses	23,476	23,767
Total current assets	148,526	204,641
PROPERTY AND EQUIPMENT		
Land	76,880	-
Building and improvements	150,545	-
Furniture and equipment	223,580	216,084
Less: accumulated depreciation	(137,206)	(81,167)
Property and equipment, net	313,799	134,917
TOTAL ASSETS	$ 462,325	$ 339,558
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 51,572	$ 48,722
Current portion of capital lease obligation	996	-
Total current liabilities	52,568	48,722
LONG-TERM LIABILITIES		
Note payable	225,000	-
Capital lease obligation, net of current portion	4,104	-
Total long-term liabilities	229,104	-
Total liabilities	281,672	48,722
NET ASSETS		
Unrestricted	180,653	282,891
Temporarily restricted	-	7,945
Total net assets	180,653	290,836
TOTAL LIABILITIES AND NET ASSETS	$ 462,325	$ 339,558

See independent auditors' report and accompanying notes to the financial statements

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
State education support	$ 1,241,988	$ -	$ 1,241,988	$ 1,164,594	$ -	$ 1,164,594
Grant revenue	257,171	-	257,171	434,458	-	434,458
Student fees	12,023	-	12,023	11,092	-	11,092
Contributions	15,129	-	15,129	10,700	-	10,700
Other income	8,651	-	8,651	6,250	-	6,250
Net assets released from restrictions	7,945	(7,945)	-	54,123	(54,123)	-
Total revenue and support	1,542,907	(7,945)	1,534,962	1,681,217	(54,123)	1,627,094
EXPENSES						
Program services	1,312,480	-	1,312,480	1,208,814	-	1,208,814
Management and general	332,665	-	332,665	332,215	-	332,215
Total expenses	1,645,145	-	1,645,145	1,541,029	-	1,541,029
CHANGE IN NET ASSETS	(102,238)	(7,945)	(110,183)	140,188	(54,123)	86,065
NET ASSETS, BEGINNING OF YEAR	282,891	7,945	290,836	142,703	62,068	204,771
NET ASSETS, END OF YEAR	$ 180,653	$ -	$ 180,653	$ 282,891	$ 7,945	$ 290,836

See independent auditors' report and accompanying notes to the financial statements

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
d/b/a INSPIRE ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 583,044	$ 155,988	$ 739,032	$ 529,276	$ 117,318	$ 646,594
Employee benefits	134,645	39,431	174,076	100,201	36,714	136,915
Staff development	81,310	-	81,310	72,475	-	72,475
Professional services	101,446	57,933	159,379	93,679	112,885	206,564
Connectivity	37,662	-	37,662	27,188	-	27,188
Authorizer oversight fees	-	26,449	26,449	-	20,469	20,469
Food costs	90,843	-	90,843	73,757	-	73,757
Equipment	9,502	215	9,717	20,494	3,159	23,653
Classroom and office supplies	24,855	5,214	30,069	55,387	4,899	60,286
Occupancy	183,167	-	183,167	183,505	-	183,505
Depreciation	56,039	-	56,039	49,156	-	49,156
Interest	-	126	126	-	93	93
Insurance	-	24,793	24,793	-	12,171	12,171
Other	9,967	22,516	32,483	3,696	24,507	28,203
Total functional expenses	$ 1,312,480	$ 332,665	$ 1,645,145	$ 1,208,814	$ 332,215	$ 1,541,029

See independent auditors' report and accompanyting notes to the financial statements

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.

d/b/a INSPIRE ACADEMY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ (110,183)	$ 86,065
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	56,039	49,156
Change in certain assets and liabilities:		
Grants receivable	10,284	(12,502)
Other receivables	(396)	(2,603)
Prepaid expenses	291	(4,267)
Accounts payable and accrued expenses	2,850	15,784
Refundable advances	-	(5,040)
Net cash provided by (used in) operating activities	(41,115)	126,593
INVESTING ACTIVITIES		
Purchases of property and equipment	(4,426)	(89,786)
FINANCING ACTIVITIES		
Principal payments on capital lease obligation	(395)	-
NET CHANGE IN CASH	(45,936)	36,807
CASH, BEGINNING OF YEAR	164,435	127,628
CASH, END OF YEAR	$ 118,499	$ 164,435

	2016	2015
SUPPLEMENTAL INFORMATION		
Land and building obtained under a note payable	$ 225,000	$ -
Equipment obtained under a capital lease obligation	5,495	-
Cash paid for interest	126	93

See independent auditors' report and accompanying notes to the financial statements

NOTE 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. In 2016, the School served students in grades kindergarten to seventh by providing an alternative to the traditional elementary school program.

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.

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, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NOTE 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. Tax years ending after 2012 are open to audit for both federal and state purposes.

Property and Equipment – Purchases of 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 for furniture and equipment. The estimated useful lives on building and improvements is twenty years.

Subsequent Events – The School evaluated subsequent events through December 16, 2016, 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.

NOTE 2 - NOTE PAYABLE

As of June 30, 2016, the School had a note payable due to The Roman Catholic Dioceses of Lafayette-in-Indiana, Inc. The note is payable in three equal installments of $75,000 each on July 1, 2019, 2020, and 2021 and is non-interest bearing. The note is secured by the school building.

Principal maturities of long-term debt are as follows for the years ending June 30:

2017	$	-
2018		-
2019		-
2020		75,000
2021		75,000
Thereafter		75,000
	$	225,000

NOTE 3 - LEASES

Capital Lease Obligation

The School leases equipment under a capital lease. At June 30, 2016, the cost and accumulated depreciation of the copier were $5,495 and $332, respectively.

Following is a schedule of future minimum lease payments under the capital lease and present value of the net minimum lease payments as of June 30, 2016:

2017	$	1,266
2018		1,266
2019		1,266
2020		1,266
2021		771
		5,835
Less: amount representing interest		(735)
	$	5,100

Operating Lease

The School leased its facility under an operating lease. The facility lease required 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, 2016). Expense under this lease for the years ended June 30, 2016 and 2015 was $165,000 and $180,000, respectively. The School terminated the lease effective June 30, 2016 (see Note 8 - Contingencies for further discussion).

NOTE 4 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets as of June 30, 2015 of $7,945 related to funds received from the Walton Family Foundation. The funds were to be used according to the approved budget for various program expenses. Grant related expenditures resulted in the full balance of temporarily restricted net assets being released from restrictions in 2016.

NOTE 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 charter agreement was $26,449 and $20,469 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

NOTE 6 - RETIREMENT PLANS

The School offers retirement benefits 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 determined annually by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2015 (the latest year reported), both TRF and PERF were more than 80% funded.

In lieu of TRF or PERF, all employees are eligible to participate in a Section 403(b) defined contribution retirement plan sponsored by the School. Under this plan, the School contributed 7% of compensation as defined through October 31, 2014. Since that time, the School has opted to match employee contributions at a rate of 2.33 to 1, but not to exceed 7% of compensation. Additional contributions may also be made to the plan at the discretion of the Board of Directors. No discretionary contributions were made in 2016 or 2015.

Retirement plan expense under all plans was $28,066 and $24,928 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 - 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.

NOTE 8 - CONTINGENCIES

The School terminated its lease on its facility at 1620 S. Madison Street, Muncie, IN effective June 30, 2016, citing landlord non-performance. The lease was through June 30, 2018 and, as such, the School may be liable for remaining payments. As of the date of the audit report, there has been no legal claim filed by the lessor, The Housing Authority of the City of Muncie, Indiana.

NOTE 9 - FUNCTIONAL EXPENSE REPORTING

The costs of providing 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.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lighthouse Academies of Northwest Indiana, Inc., which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Academies of Northwest Indiana, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, its functional expenses, 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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements. Likewise, the schedules of financial position by school and schedules of activities and change in net assets by school on pages 15 through 18 are presented for purposes of additional analysis and are 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, 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 14, 2017 on our consideration of Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control over financial reporting and compliance.

DONOVAN

Donovan

Indianapolis, Indiana
March 14, 2017

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 1,287,691	$ 1,212,027
Accounts receivable:		
Grants	408,837	351,521
Other	1,847	23,517
Prepaid expenses	127,704	112,856
Total current assets	1,826,079	1,699,921
PROPERTY AND EQUIPMENT, NET	13,839,273	14,093,102
TOTAL ASSETS	$ 15,665,352	$ 15,793,023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,566,137	$ 1,240,406
Current portion of note payable	116,667	83,333
Current portion of capital lease obligations	55,070	49,147
Total current liabilities	1,737,874	1,372,886
LONG-TERM LIABILITIES		
Note payable	-	83,334
Capital lease obligations	13,150,530	13,205,600
Total liabilities	14,888,404	14,661,820
NET ASSETS, Unrestricted	776,948	1,131,203
TOTAL LIABILITIES AND NET ASSETS	$ 15,665,352	$ 15,793,023

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 13,847,680	$ 13,874,227
Grant revenue	4,718,301	3,961,589
Student fees	46,765	26,304
Contributions	5,634	-
Fundraising income	17,419	62,702
Other income	65,721	58,839
Total revenue and support	18,701,520	17,983,661
EXPENSES		
Program services	15,776,819	15,769,380
Management and general	3,266,623	3,408,846
Fundraising	12,333	21,037
Total expenses	19,055,775	19,199,263
CHANGE IN NET ASSETS	(354,255)	(1,215,602)
NET ASSETS, BEGINNING OF YEAR	1,131,203	2,346,805
NET ASSETS, END OF YEAR	$ 776,948	$ 1,131,203

See independent auditors' report and accompanying notes to the financial statements

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
FUNCTIONAL EXPENSES								
Salaries and wages	$ 7,798,114	$ 1,117,444	$ -	$ 8,915,558	$ 7,567,629	$ 1,221,307	$ -	$ 8,788,936
Employee benefits	1,600,320	236,210	-	1,836,530	1,477,807	234,016	-	1,711,823
Staff development and recruitment	73,207	-	-	73,207	148,064	-	-	148,064
Academic services - Lighthouse Academies	-	1,344,737	-	1,344,737	-	1,302,300	-	1,302,300
Authorizer's oversight fee	-	287,723	-	287,723	-	291,780	-	291,780
Food service	1,085,293	-	-	1,085,293	982,800	-	-	982,800
Transportation service	1,172,436	-	-	1,172,436	1,145,909	-	-	1,145,909
Other professional services	291,488	132,981	-	424,469	302,093	150,623	-	452,716
Equipment rental	21,239	-	-	21,239	19,488	-	-	19,488
Classroom, kitchen, and office supplies	332,381	50,461	-	382,842	556,123	54,350	-	610,473
Occupancy	1,071,194	-	-	1,071,194	1,254,699	-	-	1,254,699
Depreciation	655,359	-	-	655,359	617,007	-	-	617,007
Interest	1,631,169	-	-	1,631,169	1,640,485	-	-	1,640,485
Other	44,619	97,067	12,333	154,019	57,276	154,470	21,037	232,783
Total functional expenses	$ 15,776,819	$ 3,266,623	$ 12,333	$ 19,055,775	$ 15,769,380	$ 3,408,846	$ 21,037	$ 19,199,263

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ (354,255)	$ (1,215,602)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	655,359	617,007
Changes in certain assets and liabilities:		
Grants receivable	(57,316)	586,231
Other receivable	21,670	71,243
Prepaid expenses	(14,848)	(26,881)
Accounts payable and accrued expenses	325,731	(474,570)
Refundable advances	-	(101,039)
Net cash provided by (used in) operating activities	576,341	(543,611)
INVESTING ACTIVITIES		
Purchases of property and equipment	(401,530)	(312,141)
FINANCING ACTIVITIES		
Principal repayment of capital lease obligations	(49,147)	(45,253)
Principal repayment of note payable	(50,000)	(83,333)
Net cash used in financing activities	(99,147)	(128,586)
NET CHANGE IN CASH	75,664	(984,338)
CASH, BEGINNING OF YEAR	1,212,027	2,196,365
CASH, END OF YEAR	$ 1,287,691	$ 1,212,027

SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 1,631,169	$ 1,640,485

See independent auditors' report and accompanying notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Lighthouse Academies of Northwest Indiana, Inc. ("LANWI"), a public benefit not-for-profit organization incorporated under the laws of the State of Indiana, is the organizer and governing body of two charter schools located in Indiana. Each of the schools are public charter schools established under Indiana Code 20-24 and sponsored by Ball State University. 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 schools that it operates.

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 schools receive an amount per student in relation to the funding received by other public schools in the same geographic areas. 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 LANWI's revenue is the product of cost reimbursement grants. Accordingly, LANWI recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

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.

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

Property and Equipment – Purchases of 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. LANWI changed its capitalization policy in 2016 (Note 10).

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 .... 7 to 30 years
Furniture and equipment .... 3 to 5 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require LANWI 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. LANWI has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2012 are open to audit for both federal and state purposes.

Subsequent Events – LANWI evaluated subsequent events through March 14, 2017, 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 2015 that were previously reported have been reclassified for comparative purposes. The reclassifications had no effect on net assets at June 30, 2015.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following as of June 30:

	2016	2015
Land	$ 1,245,200	$ 1,245,200
Building and improvements	13,381,189	13,359,639
Furniture and equipment	1,441,790	1,061,810
	16,068,179	15,666,649
Less: accumulated depreciation	(2,228,906)	(1,573,547)
	$ 13,839,273	$ 14,093,102

NOTE 3 – NOTE PAYABLE

The note payable at June 30, 2016 and 2015 was due to Lighthouse Academies, Inc., which is under contract to manage the LANWI schools. The note provides for monthly interest payments at 4.5% per annum. Principal payments are due and payable at such times as LANWI has unencumbered funds to make a payment when considering other debts then currently owing. The note was to be paid evenly in three payments of $83,333 in 2015, 2016, and 2017, however, only $50,000 was paid on the note in 2016. The note is secured by certain items of personal property.

NOTE 4 – LEASES

On August 28, 2013, the land and buildings comprising LANWI facilities were acquired by CFM – NW Indiana, LLC, an entity controlled by CFM, Inc. CFM, Inc. was created by LANWI'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. One facility owned by LANWI was sold to CFM – NW Indiana, LLC for $1.

Coincident with the purchase of the facilities by CFM – NW Indiana, LLC, LANWI entered into a 30-year lease agreement with CFM – NW Indiana, LLC on the same facilities, 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 $6,300,000. The lease requires LANWI 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, LANWI is responsible for utilities, maintenance, and insurance. LANWI has the option to purchase the facilities at any time for $1 plus the remaining balance due on the bond debt. At June 30, 2016, the cost and accumulated depreciation relating to these assets were $13,802,342 and $1,185,953, respectively. At June 30, 2015, the cost and accumulated depreciation relating to these assets were $13,802,342 and $767,381, respectively.

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, 2016:

	Gary	East Chicago	Combined
Year Ended June 30:			
2017	$ 1,339,240	$ 334,810	$ 1,674,050
2018	1,342,490	335,622	1,678,112
2019	1,340,740	335,185	1,675,925
2020	1,342,240	335,560	1,677,800
2021	1,338,740	334,685	1,673,425
Thereafter	30,831,050	7,707,762	38,538,812
	37,534,500	9,383,624	46,918,124
Less: amount representing interest	(26,911,676)	(6,800,848)	(33,712,524)
	$ 10,622,824	$ 2,582,776	$ 13,205,600

NOTE 4 – LEASES, Continued

As a condition of the lease, LANWI is required to meet certain financial covenants, specifically:

1. Cash on hand must equal at least 45 days of operating expenses, and
2. Net available corporate income, as defined, must equal at least 1.10 times base rent under the lease.

As of June 30, 2016, LANWI was not in compliance with the covenant for cash on hand. Under the terms of the lease agreement, the lessor has the right to terminate LANWI's possession of the school facilities, however no such action was taken by the lessor as a result of the covenant violation. As discussed in Note 9, subsequent to year end, the LANWI purchase the facilities from CFM, Inc., and is cleared of any potential repercussions from the covenant violation. The covenants were calculated as follows:

	Gary	East Chicago	Combined
CASH AS OF JUNE 30, 2016	$ 1,055,555	$ 232,136	$ 1,287,691
OPERATING EXPENSES			
Program services	$ 12,227,510	$ 3,549,309	$ 15,776,819
Management and general	2,610,462	656,161	3,266,623
Fundraising	-	12,333	12,333
Operating expenses, total	$ 14,837,972	$ 4,217,803	$ 19,055,775
Cash divided by operating expenses	7.11%	5.50%	6.76%
Days per year	365	365	365
DAYS CASH ON HAND	26	20	25
			VIOLATION
NET AVAILABLE CORPORATE INCOME			
Change in net assets	$ (232,169)	$ (122,086)	$ (354,255)
Interest expense	1,299,407	331,762	1,631,169
Depreciation	526,789	128,570	655,359
Net available corporate income, total	$ 1,594,027	$ 338,246	$ 1,932,273
Base rent for the year	$ 1,339,590	$ 334,898	$ 1,674,488
RATIO OF NET AVAILABLE CORPORATE INCOME TO BASE RENT	1.19 to 1	1.01 to 1	1.15 to 1
			PASS

NOTE 4 – LEASES, Continued

LANWI also leases certain items of equipment under operating leases. Total lease expense under operating leases for the years ended June 30, 2016 and 2015 was $59,637 and $30,132, respectively. Future minimum lease payments are as follows for the years ended June 30:

	Gary	East Chicago	Combined
2017	$ 13,176	$ 13,332	$ 26,508
2018	-	13,332	13,332
2019	-	13,332	13,332
2020	-	13,332	13,332
2021	-	6,666	6,666

NOTE 5 – RETIREMENT PLAN

All LANWI personnel are employees of Lighthouse Academies, Inc., which provides management services to LANWI. LANWI personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, LANWI matches 100% of employee contributions up to 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 2016 or 2015. Retirement plan expense for the years ended June 30, 2016 and 2015 was $127,098 and $114,854, respectively.

NOTE 6 – COMMITMENTS

LANWI's two schools operate under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, LANWI has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received associated with its two schools. Expense under the charter agreements was $287,723 and $291,780 for the years ended June 30, 2016 and 2015, respectively.

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 agreements, LANWI has agreed to pay an amount equal to 7.5% of revenue, as defined, for such services. Expense under the agreements was $1,344,737 and $1,302,300 for the years ended June 30, 2016 and 2015, respectively. These agreements remain in effect so long as the school charters remain in effect.

NOTE 7 – RISKS AND UNCERTAINTIES

LANWI provides education services to families residing in Lake and surrounding counties of 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 LANWI. Additionally, LANWI is subject to monitoring and audit by state and federal agencies. These examinations may result in additional liability to be imposed.

Financial instruments that potentially subject LANWI to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2016 and 2015, substantially all receivable balances were 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.

NOTE 8 – FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program services, management and general, and fundraising.

NOTE 9 – SUBSEQUENT EVENT

Subsequent to June 30, 2016, LANWI purchased the land and buildings it was leasing from CFM, Inc. (Note 4). LANWI purchased the properties with funds acquired from the issuance of bonds; $19,950,000 in total.

NOTE 10 – CHANGE IN ACCOUNTING POLICY

In 2016, LANWI changed its policy for capitalization. Prior to 2016, routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $5,000 were charged to expense as incurred. The threshold was changed to $1,000 in 2016.

SUPPLEMENTARY INFORMATION

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF EXPEDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

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		$	286,911
National School Lunch Program	10.555			757,833
Total for cluster				1,044,744
Fresh Fruit and Vegetable Program	10.582			38,168
Total for federal grantor agency				1,082,912
U.S. DEPARTMENT OF EDUCATION				
Pass-through Indiana Department of Education				
Title I, Part A Cluster				
Grants to Local Educational Agencies	84.010	15-9535/16-9535		1,792,328
Special Education Cluster				
Special Education - Grants to States	84.027	14215-501-PN01 14215-572-PN01		301,444
English Language Acquisition State Grants	84.365			40,058
Improving Teacher Quality State Grants	84.367			350,086
Total for federal grantor agency				2,483,916
Total federal awards expended			$	3,566,828

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Lighthouse Academies of Northwest Indiana, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Lighthouse Academies of Northwest Indiana, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Lighthouse Academies of Northwest Indiana, Inc.

NOTE 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2016

	Gary	East Chicago	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	$ 1,055,555	$ 232,136	$ -	$ 1,287,691
Accounts receivable:				
Grants	302,536	106,301	-	408,837
Other	123,805	1,847	(123,805)	1,847
Prepaid expenses	81,161	46,543	-	127,704
Total current assets	1,563,057	386,827	(123,805)	1,826,079
PROPERTY AND EQUIPMENT, NET	11,120,293	2,718,980	-	13,839,273
TOTAL ASSETS	$ 12,683,350	$ 3,105,807	$ (123,805)	$ 15,665,352
LIABILITIES AND NET ASSETS (DEFICIENCY)				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 1,202,885	$ 487,057	$ (123,805)	$ 1,566,137
Current portion of note payable	-	116,667	-	116,667
Current portion of capital lease obligations	45,002	10,068	-	55,070
Total current liabilities	1,247,887	613,792	(123,805)	1,737,874
LONG-TERM LIABILITIES				
Capital lease obligations	10,577,822	2,572,708	-	13,150,530
Total liabilities	11,825,709	3,186,500	-	14,888,404
NET ASSETS (DEFICIENCY)	857,641	(80,693)	-	776,948
TOTAL LIABILTIES AND NET ASSETS (DEFICIENCY)	$ 12,683,350	$ 3,105,807	$ -	$ 15,665,352

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF FINANCIAL POSITION BY SCHOOL

June 30, 2015

	Gary	East Chicago	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	$ 1,017,021	$ 195,006	$ -	$ 1,212,027
Accounts receivable:				
Grants	296,928	54,593	-	351,521
Other	15,647	7,870	-	23,517
Prepaid expenses	65,975	46,881	-	112,856
Total current assets	1,395,571	304,350	-	1,699,921
PROPERTY AND EQUIPMENT, NET	11,260,118	2,832,984	-	14,093,102
TOTAL ASSETS	$ 12,655,689	$ 3,137,334	$ -	$ 15,793,023
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$ 902,872	$ 337,534	$ -	$ 1,240,406
Current portion of note payable	-	83,333	-	83,333
Current portion of capital lease obligations	40,183	8,964	-	49,147
Total current liabilities	943,055	429,831	-	1,372,886
LONG-TERM LIABILITIES				
Note payable	-	83,334	-	83,334
Capital lease obligations	10,622,824	2,582,776	-	13,205,600
Total liabilities	11,565,879	3,095,941	-	14,661,820
NET ASSETS	1,089,810	41,393	-	1,131,203
TOTAL LIABILTIES AND NET ASSETS	$ 12,655,689	$ 3,137,334	$ -	$ 15,793,023

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL

For the Year Ended June 30, 2016

	Gary	East Chicago	Total
REVENUE AND SUPPORT			
State education support	$ 10,742,801	$ 3,104,879	$ 13,847,680
Grant revenue	3,764,297	954,004	4,718,301
Student fees	38,687	8,078	46,765
Contributions	-	5,634	5,634
Fundraising	400	17,019	17,419
Other	59,618	6,103	65,721
Total revenue and support	14,605,803	4,095,717	18,701,520
EXPENSES			
Program services	12,227,510	3,549,309	15,776,819
Management and general	2,610,462	656,161	3,266,623
Fundraising	-	12,333	12,333
Total expenses	14,837,972	4,217,803	19,055,775
CHANGE IN NET ASSETS	(232,169)	(122,086)	(354,255)
NET ASSETS, BEGINNING OF YEAR	1,089,810	41,393	1,131,203
NET ASSETS (DEFICIENCY), END OF YEAR	$ 857,641	$ (80,693)	$ 776,948

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL

For the Year Ended June 30, 2015

	Gary	East Chicago	Total
REVENUE AND SUPPORT			
State education support	$ 10,750,521	$ 3,123,706	$ 13,874,227
Grant revenue	3,057,684	903,905	3,961,589
Student fees	9,548	16,756	26,304
Fundraising	28,964	33,738	62,702
Other	42,175	16,664	58,839
Total revenue and support	13,888,892	4,094,769	17,983,661
EXPENSES			
Program services	12,105,743	3,663,637	15,769,380
Management and general	2,708,463	700,383	3,408,846
Fundraising	238	20,799	21,037
Total expenses	14,814,444	4,384,819	19,199,263
CHANGE IN NET ASSETS	(925,552)	(290,050)	(1,215,602)
NET ASSETS, BEGINNING OF YEAR	2,015,362	331,443	2,346,805
NET ASSETS, END OF YEAR	$ 1,089,810	$ 41,393	$ 1,131,203

DONOVAN
CPAs | ADVISORS

***INDEPENDENT AUDITORS' 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 Lighthouse Academies of Northwest Indiana, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lighthouse Academies of Northwest Indiana, Inc.'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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Academies of Northwest Indiana, Inc.'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 Lighthouse Academies of Northwest Indiana, Inc.'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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lighthouse Academies of Northwest Indiana, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

Indianapolis, Indiana
March 14, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Lighthouse Academies of Northwest Indiana, Inc.'s compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) 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, 2016. The School's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Lighthouse Academies of Northwest Indiana, Inc.'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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 Lighthouse Academies of Northwest Indiana, Inc.'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 Lighthouse Academies of Northwest Indiana, Inc.'s compliance.

Opinion on Each Major Federal Program
In our opinion, Lighthouse Academies of Northwest Indiana, 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, 2016.

Report on Internal Control over Compliance

Management of Lighthouse Academies of Northwest Indiana, 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 Lighthouse Academies of Northwest Indiana, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the Uniform Guidance, 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 Lighthouse Academies of Northwest Indiana, Inc.'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN

Donovan

Indianapolis, Indiana
March 14, 2017

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Title I, Part A Cluster
84.010	Grants to Local Educational Agencies
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold use to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2016

FINDING 2015-001 (FINANCIAL STATEMENT FINDING)

FINANCIAL ACCOUNTING
MATERIAL WEAKNESS

Condition
Through our audit, various misstatements were identified that resulted in an overstatement of operating results for the 2015 fiscal year. Accounts affected included such items as accumulated depreciation, prepaid expenses, accrued expenses, accounts payable, grant revenues, and expenses.

Recommendation
The auditors recommended that procedures should be implemented to ensure that general ledger accounts are supported by accurate and timely account reconciliations. Financial reports should also be subject to formal internal review to assure that they properly reflect all significant transactions.

Current Status
No further action is required. LANWI was in compliance for the 2016 fiscal year.

FINDING 2015-002 (FINANCIAL STATEMENT FINDING)

GRANT MANAGEMENT
MATERIAL WEAKNESS

Condition
LANWI submitted claims for reimbursement under the Title I Grants to Local Educational Agencies program for costs that were (1) not approved by the awarding agency, (2) exceeded the approved budget, and (3) were not supported by the accounting records, which resulted in questioned costs of $346,003.

Recommendation
The auditors recommended that procedures should be implemented to ensure that costs charged to federal grant programs are accurately identified at the time that they are incurred, are consistent with the approved grant budget, and accurately supported by the accounting records.

Current Status
No further action is required. LANWI was in compliance for the 2016 fiscal year.

FINDING 2015-003 (FEDERAL AWARD FINDING)

FINANCIAL MANAGEMENT
MATERIAL WEAKNESS

Condition
Through the audit, it was disclosed that grant funds were expended in excess of budgeted amounts approved by the awarding agency for multiple budget categories for the Title I program.

Recommendation
The auditors recommended that LANWI implement a process to ensure that grant funds are expended consistent with the approved budget and, if necessary, proper approval is requested for deviations from said budget.

FINDING 2015-003 (FEDERAL AWARD FINDING), Continued

Current Status
No further action is required. LANWI was in compliance for the 2016 fiscal year.

FINDING 2015-004 (FEDERAL AWARD FINDING)

GRANT MANAGEMENT
MATERIAL WEAKNESS

Condition
Through the audit, it was disclosed that claims for reimbursement were made for salary and benefit expenses relating to employees that were not contained in the approved grant budget. These positions included a principal, two assistant principals, and a social worker.

Recommendation
The auditors recommended that procedures should be implemented to ensure that grant funds are expended consistent with the approved grant budget.

Current Status
No further action is required. LANWI was in compliance for the 2016 fiscal year.

FINDING 2015-005 (FEDERAL AWARD FINDING)

GRANT MANAGEMENT
MATERIAL WEAKNESS

Condition
Through the audit, it was disclosed that claims for three claims for reimbursement exceeded the actual amounts paid to employees during the grant period. Certain other instances of amounts claimed for reimbursement that were not reflective of actual payroll expenditures were also noted, but the amounts were immaterial.

Recommendation
The auditors recommended that procedures should be implemented to determine the nature and classification of costs at the time that the expenditures occur, and confirm that the costs meet the established budget criteria of the grant. Such accounting records should provide the basis for all reimbursement claims.

Current Status
No further action is required. LANWI was in compliance for the 2016 fiscal year.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
OTHER REPORT
For the Year Ended June 30, 2016

The reports presented herein were prepared in addition to another official report prepared for Lighthouse Academies of Northwest Indiana, Inc. as listed below:

Supplemental Audit Report of Lighthouse Academies of Northwest Indiana, 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*.

DONOVAN
CPAs | ADVISORS

March 14, 2017

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

In planning and performing our audit of the financial statements of Lighthouse Academies of Northwest Indiana, Inc. (the School) as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified one deficiency in internal control that we consider to be a significant deficiency.

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 School'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. We consider the following deficiency in the School's internal control to be a significant deficiency:

Recording and Tracking Grant Activity

In fiscal year 2016, audit entries were recorded to both Title I and Special Education revenues. These entries were necessary due to the fact that grant revenues were not reconciled and adjusted by the School prior to audit. This lack of reconciliation also lead to delays in completion of the audit. The School needs to put procedures in place to remedy this issue in future periods.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the School, and is not intended to be, and should not be, used by anyone other than these specified parties.

DONOVAN
Indianapolis, Indiana Donovan

March 14, 2017

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

We have audited the financial statements of Lighthouse Academies of Northwest Indiana, Inc. (the School) as of and for the year ended June 30, 2016, and have issued our report thereon dated March 14, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated July 6, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the School solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

The completion of the audit was delayed due to timeliness of responses to audit requests.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the School is included in Note 1 to the financial statements. The only notable change in accounting policy is described in Note 10, whereby the School changed is property and equipment capitalization threshold from $5,000 to $1,000. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

We identified no particularly sensitive estimates impacting the financial statements.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit; however, the completion of the audit was delayed due to timeliness of responses to audit requests.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. There were no such uncorrected misstatements. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The adjustments identified during the audit are attached to this report, including adjustments identified by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the School's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which were provided by management in a separate letter dated March 14, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In the normal course of our professional association with the School, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the School's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the School and is not intended to be and should not be used by anyone other than these specified parties.

DONOVAN

Indianapolis, Indiana

Lighthouse Academies of Northwest Indiana, Inc.
Schedule of Identified Adjustments
December 31, 2016

GARY LIGHTHOUSE

Adjusting Journal Entries JE # 101

PAJE <101> To adjust net assets to actual.

3900	Retained Earnings	266.00	
11200.611	11200 Middle School:11200.611 UA Classroom Supplies		266.00

Adjusting Journal Entries JE # 102

PAJE <102> To move payable related to copier lease out of prepaids.

1210	Prepaid Expenses	32,443.00	
2000	Accounts Payable		32,443.00

Adjusting Journal Entries JE # 103

PAJE <103> To record Title I grant funds due to East Chicago Lighthouse that were mistakenly applied to Gary (AJE PROVIDED BY TINA DOBSON).

4514	Title I Income	25,086.00	
2000	Accounts Payable		25,086.00

Adjusting Journal Entries JE # 104

PAJE <104> To reduce Special Education grant revenues (AJE PROVIDED BY TINA DOBSON).

4223	IDEA Grant Income	43,390.00	
1201	Grants Receivable		43,390.00

Adjusting Journal Entries JE # 105

PAJE <105> To remove amounts related to the transfer of equipment to GLCS of items that were previously expensed by ECLCS.

1599	Accumulated Depreciation	12,906.00	
2000	Accounts Payable	64,530.00	
46000.735	Capital Outlay-Equipment		64,530.00
9999	9999 Other Expenses: Depreciation		12,906.00

Adjusting Journal Entries JE # 106

PAJE <106> To record additional payables.

11200.311	11200 Middle School:11200.311 Field Trip UA	3,987.00	
11350.110	Academic Honors Program: 11350.110 Dual Credit/College Tuition	49,686.00	
2000	Accounts Payable		53,673.00

Lighthouse Academies of Northwest Indiana, Inc.
Schedule of Identified Adjustments
December 31, 2016

EAST CHICAGO LIGHTHOUSE

Adjusting Journal Entries JE # 101

PAJE <101> To adjust net assets to actual.

11100.611	Elementary:11100.611 Classroom Supplies K-6	469.00	
3900	3900 Retained Earnings		469.00

Adjusting Journal Entries JE # 102

PAJE <102> To record a receivable for Title I revenue that was applied to Gary Lighthouse in error (AJE PROVIDED BY TINA DOBSON).

1201	Grants Receivable	25,086.00	
4514	Title I Income		25,086.00

Adjusting Journal Entries JE # 103

PAJE <103> To remove entry for transfer of equipment to GLCS that were previously expensed by ECLCS.

1999	Fundraising Income	64,530.00	
1200	Accounts Receivable		64,530.00

Adjusting Journal Entries JE # 104

PAJE <104> To adjust LHA management fees to actual.

23210.319	LHA Management:23210.319 Academic Services	18,718.00	
1300	Prepaid Expenses		18,718.00

SUPPLEMENTAL AUDIT REPORT

OF

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

LAKE COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

LAKE COUNTY, INDIANA

School Officials

July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	James Piggie	07/01/15 – 01/31/16
President of Board of Directors	Kay F. Ward McDuffie	02/01/16 – 06/30/16
Superintendent	Jeremy Williams	07/01/15 – 06/30/16
School Treasurer	Tina Dobson	07/01/15 – 06/30/16

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

We have audited the financial statements of Lighthouse Academies of Northwest Indiana, Inc. ("LANWI") as of and for the year ended June 30, 2016 and have issued our report thereon dated March 14, 2017. As part of our audit, we tested the LANWI's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe LANWI was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
March 14, 2017

RECEIPTS AND DEPOSITS

Lighthouse Academies of Northwest Indiana, Inc. schools receive payments for various purposes including uniform sales, student fees, fundraising, and field trips. We tested 25 receipts from each LANWI school (50 in total). From these cash receipts transactions, we noted that Gary Lighthouse Charter School was not in compliance due to issues with the timely depositing of funds. Of the 25 receipts tested for this school, seven were not deposited in a timely manner.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on March 14, 2017 with Tina Dobson (Indiana Controller, Lighthouse Academies, Inc.), Marcia Saulo (Chief Financial Officer, Lighthouse Academies, Inc.), Dr. Kay Ward-McDuffie (President of the Board of Directors) and Dr. Sheri Miller-Williams (Regional Vice President, Northwest Indiana). The Official Response has been made a part of this report and may be found on page 5.

Lighthouse Academies, Inc.

March 14, 2017

Donovan PC
9245 N. Meridian St., Suite 302
Indianapolis, IN 46260
ATTN: Mr. Eugene P Fitzgerald

RE: Responses to Lighthouse Academies of Northwest Indiana Audit Findings

Dear Sir:

Audit Result and Comments

Receipts and Deposits – Gary Lighthouse Charter School was not in compliance due to issues with the timely depositing of funds.

Response – May 2016 policy requires revenue of $50 or more to be deposited within 24 hours.

Sincerely,

Tina Dobson

Tina Dobson
Indiana Controller
Lighthouse Academies, Inc.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Year Ended June 30, 2016

DONOVAN
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Independent Auditors' Report

The Board of Directors
Northern Rush County Schools, Incorporated

We have audited the accompanying financial statements of Northern Rush County Schools, Incorporated d/b/a Mays Community Academy, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and change in net assets (deficiency), functional expenses, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Rush County Schools, Incorporated d/b/a Mays Community Academy as of June 30, 2016, and the changes in its net assets (deficiency), functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Indianapolis, Indiana
December 14, 2016

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS		
CURRENT ASSETS		
Cash	$	124,516
Grants receivable		16,216
Total current assets		140,732
PROPERTY AND EQUIPMENT		
Land		88,400
Building and improvements		509,075
Furniture and equipment		153,344
Software and textbooks		65,018
Vehicles		5,000
Less: accumulated depreciation		(69,534)
Property and equipment, net		751,303
OTHER ASSETS		
Security deposit		3,900
TOTAL ASSETS	$	895,935
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$	132,157
Accounts payable and accrued expenses		65,615
Total current liabilities		197,772
NOTES PAYABLE, NET OF CURRENT PORTION		403,750
Total liabilities		601,522
NET ASSETS, UNRESTRICTED		294,413
TOTAL LIABILITIES AND NET ASSETS	$	895,935

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)
For the Year Ended June 30, 2016

REVENUE AND SUPPORT	
State education support	$ 697,545
Grant revenue	383,547
Student fees	41,398
Contributions	
Property donation	595,500
Other contributions	1,874
Other income	1,137
Total revenue and support	1,721,001
EXPENSES	
Program services	972,493
Management and general	451,341
Total expenses	1,423,834
CHANGE IN NET ASSETS	297,167
NET DEFICIENCY, BEGINNING OF YEAR	(2,754)
NET ASSETS, END OF YEAR	$ 294,413

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services	Management and General	Total
FUNCTIONAL EXPENSES			
Salaries and wages	$ 428,471	$ 217,634	$ 646,105
Employee benefits	126,380	34,840	161,220
Staff development	12,983	-	12,983
Professional services	27,768	108,320	136,088
Repairs and maintenance	-	32,916	32,916
Authorizer oversight fees	-	15,696	15,696
Food costs	48,977	-	48,977
Transportation	127,954	1,173	129,127
Information technology	26,552	-	26,552
Advertising	-	6,339	6,339
Classroom, kitchen, and office supplies	55,749	22,215	77,964
Occupancy	36,242	-	36,242
Depreciation	69,534	-	69,534
Interest	-	8,068	8,068
Insurance	5,776	-	5,776
Other	6,107	4,140	10,247
Total functional expenses	$ 972,493	$ 451,341	$ 1,423,834

See independent auditors' report and accompanying notes to the financial statements

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

OPERATING ACTIVITIES		
Change in net assets	$	297,167
Adjustments to reconcile change in net assets		
to net cash used in operating activities:		
Contributed property and equipment		(595,500)
Depreciation		69,534
Change in certain assets and liabilities:		
Grants receivable		(16,216)
Security deposit		(3,900)
Accounts payable and accrued expenses		65,615
Net cash used in operating activities		(183,300)
INVESTING ACTIVITIES		
Purchases of property and equipment		(220,651)
FINANCING ACTIVITIES		
Proceeds from notes payable		675,000
Principal payments on notes payable		(189,093)
Net cash provided by financing activities		485,907
NET CHANGE IN CASH		81,956
CASH, BEGINNING OF YEAR		42,560
CASH, END OF YEAR	$	124,516

SUPPLEMENTAL INFORMATION		
Cash paid for interest	$	8,068

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Northern Rush County Schools, Incorporated d/b/a Mays Community Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School commenced operations as a public charter school on July 1, 2015 under Indiana Code 20-24. The School serves grades kindergarten through six 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.

Grants Receivable – Grants receivable relate primarily to activities funded under federal programs. 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 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. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred.

Property and Equipment – Purchases of 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 small equipment purchases 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 20 years
Furniture and equipment	5 to 7 years
Software and textbooks	3 to 5 years
Vehicles	5 years

Taxes on Income – Northern Rush County Schools, Incorporated 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, 2016, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NOTE 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.

Subsequent Events – The School evaluated subsequent events through December 14, 2016, 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 require.

NOTE 2 - NOTES PAYABLE

Notes payable consisted of the following at June 30, 2016:

Note payable to CentreBank, payable in monthly installments of $17,168 including interest at 3.75% per annum, through January 2017.	$	110,907
Note payable to Indiana State Board of Education, payable $21,250 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in December 2015, and maturing in July 2026. First payment due January 1, 2017.		425,000
		535,907
Less: current portion		(132,157)
Long-term portion	$	403,750

Principal maturities of long-term debt are as follows for the years ending June 30:

2017	$	132,157
2018		42,500
2019		42,500
2020		42,500
2021		42,500
Thereafter		233,750
	$	535,907

NOTE 3 - RETIREMENT PLANS

The School did not participate in a retirement plan during the year ended June 30, 2016. The School had applied for approval to participate in 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 determined annually by the INPRS Board. Subsequent to year end, the School has been approved for both TRF and PERF.

NOTE 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. Payments under this charter agreement were $15,696 for the year ended June 30, 2016. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

The School contracted with Indiana Charters LLC, a for-profit organization incorporated in the State of Indiana, to perform data management, financial, administrative, and general operational support services. Under the terms of the agreement, the School had agreed to pay a total of $131,500 through June 2017 for such services. The contract commenced in July 2015. Expense under this contract was $81,498 for the year ended June 30, 2016.

NOTE 5 - RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Rush 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, 2016, substantially all of the receivable balance was due from the State of Indiana. In addition, bank deposits are maintained primarily at CentreBank and MainSource Bank, and are insured up to the FDIC insurance limit.

NOTE 6 - PRIOR PERIOD FINANCIAL ACTIVITY

Prior to the School's initial year of operations, it borrowed $50,000 from CentreBank to be used during the start-up phase of operations. The School used these funds to purchase equipment costing $4,686 and incurred expenses of $2,754. The School had a cash balance of $42,560 as of June 30, 2015.

NOTE 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.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
OTHER REPORT
For the Year Ended June 30, 2016

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

Supplemental Audit Report of Northern Rush County Schools, Incorporated
d/b/a Mays Community 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.*

SUPPLEMENTAL AUDIT REPORT

OF

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY

RUSH COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	Nansi Custer	07/01/15 – 06/30/16
CEO	Carissa Williams	07/01/15 – 06/30/16
Head of School	David Doyle	07/01/15 – 08/30/15
Director of Operations	Melissa Morgan	09/01/15 – 06/30/16

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The Board of Directors
Northern Rush County Schools Incorporated

We have audited the financial statements of Northern Rush County Schools Incorporated d/b/a Mays Community Academy, (the "School") as of and for the year ended June 30, 2016, and have issued our report thereon dated December 14, 2016. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
December 14, 2016

RECEIPTS AND DEPOSITS

The School receives money from various sources and issues receipts. Based on our testing, we noted the following issues relating to the School's receipting processes and documentation of the deposits:

- The School was only able to locate receipt books for the period of March to June 2016. As such, we were unable to test receipts for the full year under review.
- The School does not keep adequate documentation of cash receipts. Funds received in cash are kept separate from other receipts and are deposited in a lump sum. No documentation is kept to allow for tracing an individual cash receipt to a specific deposit.
- Due to the issues above, we were able to only trace 11 of 25 receipts selected to bank deposits. Of those receipts, we noted that two were not deposited timely, which is more than a 10% error rate and requires a finding.

Standard forms must be utilized for cash receipts. The form is to be pre-numbered by the printing supplier in duplicate, five receipts to the page. A receipt must be written on the form each time any money is received by the charter school regardless of whether it is in the form of cash, check, money order, bank card/credit card, EFT (all on which must be indicated as payment type and amount) or other negotiable instrument. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

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 Charter Schools, Part 8)

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payers. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

PAYROLL POLICIES AND COMPLIANCE

We attempted to review payroll for compliance with guidelines. We were unable to adequately complete the testing as the School was unable to provide employment contracts for the majority of employees selected for testing.

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

REQUIRED REPORTS

We examined the Form 9 reports submitted by the School for the period of July 1, 2015 to June 30, 2016. We noted that the total cash balance per the Form 9 did not agree to the School's financial records. The Form 9 was under-reported by $83,907. Additionally, the Form 9 did not include funds for the School's various federal grants.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

Charter schools 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. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
d/b/a MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on December 13, 2016 with Carissa Williams (CEO), Nansi Custer (President of the Board of Directors), and Greg Jarman (Treasurer of Board of Directors). The Official Response has been made a part of this report and may be found on page 6-8.

Donovan CPAs
9345 N. Meridian Street, Suite 302
Indianapolis, IN 46260

RE: Official response to Indiana State Board of Accounts compliance finding:

RECEIPTS AND DEPOSITS

Finding:

The School receives money from various sources and issues receipts. Based on our testing, we noted the following issues relating to the School's receipting processes and documentation of the deposits:

- The School was only able to locate receipt books for the period of March to June 2016. As such, we were unable to test receipts for the full year under review.
- The School does not keep adequate documentation of cash receipts. Funds received in cash are kept separate from other receipts and are deposited in a lump sum. No documentation is kept to allow for tracing an individual cash receipt to a specific deposit.
- Due to the issues above, we were able to only trace 11 of 25 receipts selected to bank deposits. Of those receipts, we noted that two were not deposited timely, which is more than a 10% error rate and requires a finding.

Standard forms must be utilized for cash receipts. The form is to be pre-numbered by the printing supplier in duplicate, five receipts to the page. A receipt must be written on the form each time any money is received by the charter school regardless of whether it is in the form of cash, check, money order, bank card/credit card, EFT (all on which must be indicated as payment type and amount) or other negotiable instrument. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

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 Charter Schools, Part 8)

P.O. Box 188 • Lewisville, IN 47352 929 E. South St. • Mays, IN 46155
(P) 765-645-5577 • (F) 765-645-5230

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payers. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

School Response:

Northern Rush County Schools, Incorporated d/b/a Mays Community Academy's official response to the above finding is as follows: Our first year was a time of finding our best practices and we had many changes throughout the year. We changed school leaders two times and administrative assistants two times as well. We also had software changes. While examining the process of cash receipts, the following process was put into place. A handwritten receipt is being given to for all receipts regardless of the type of transaction. For lunch deposits, our new software allows us to track the type of receipt (cash, check, charge, etc) and the student the deposit goes with. Receipt books are to be promptly turned over to the CEO upon becoming full. It is the opinion of management these changes will facilitate the changes necessary for compliance.

PAYROLL POLICIES AND COMPLIANCE

Finding:

We attempted to review payroll for compliance with guidelines. We were unable to adequately complete the testing as the School was unable to provide employment contracts for the majority of employees selected for testing.

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

School Response:

Northern Rush County Schools, Incorporated d/b/a Mays Community Academy's official response to the above finding is as follows: All staff have been given current job assignments and have agreed to and signed necessary documentation for compliance of this payroll policy. All job assignments are being kept as hard copies in two separate locations as well as being stored electronically.

REQUIRED REPORTS

Finding:

We examined the Form 9 reports submitted by the School for the period of July 1, 2015 to June 30, 2016. We noted that the total cash balance per the Form 9 did not agree to the School's financial records. The Form 9 was under-reported by $83,907. Additionally, the Form 9 did not include funds for the School's various federal grants.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

Charter schools 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. Charter schools shall file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

School Response:

Northern Rush County Schools, Incorporated d/b/a Mays Community Academy's official response to the above finding is as follows: Form 9 forms have been done manually. During year one of our school, funding is very limited and the Form 9 was done manually both times. Steps are being taken to correct formatting and we are also looking into possibly outsourcing the completion on our Form 9 if it is cost effective. The adjustment for the misstatement will be made in the December 31, 2016 form 9 filing.

Sincerely,

Carissa Williams　　　　12/14/2016

Carissa Williams, CEO　　　　12,14,2016

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

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, 2016 and 2015, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

Indianapolis, Indiana
December 20, 2016

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 74,655	$ 151,535
Grants receivable	88,799	134,971
Other receivables	4,007	10,412
Prepaid expenses	8,319	1,827
Total current assets	175,780	298,745
PROPERTY AND EQUIPMENT		
Land	835,000	-
Building	900,683	-
Construction in progress	1,117,323	-
Furniture and equipment	218,383	115,565
Less: accumulated depreciation	(68,692)	(37,541)
Property and equipment, net	3,002,697	78,024
OTHER ASSETS		
Security deposit	11,910	-
Cash restricted for construction	2,312,735	-
Total other assets	2,324,645	-
TOTAL ASSETS	$ 5,503,122	$ 376,769
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 73,026	$ -
Accounts payable and accrued expenses	167,667	99,647
Total current liabilities	240,693	99,647
LONG-TERM LIABILITIES		
Notes payable, net of current portion	4,579,629	-
Total liabilities	4,820,322	99,647
NET ASSETS, UNRESTRICTED	682,800	277,122
TOTAL LIABILITIES AND NET ASSETS	$ 5,503,122	$ 376,769

See independent auditors' report and accompanying notes to the financial statements

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 1,306,464	$ 1,288,825
Grant revenue	570,036	630,682
Student fees	36,138	38,640
Contributions:		
Land donation	435,000	-
Other contributions	15,431	10,691
Other income	4,112	4,095
Total revenue and support	2,367,181	1,972,933
EXPENSES		
Program services	1,280,341	1,292,321
Management and general	681,162	495,722
Total expenses	1,961,503	1,788,043
CHANGE IN NET ASSETS	405,678	184,890
NET ASSETS, BEGINNING OF YEAR	277,122	92,232
NET ASSETS, END OF YEAR	$ 682,800	$ 277,122

See independent auditors' report and accompanying notes to the financial statements

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 759,463	$ 485,079	$ 1,244,542	$ 767,599	$ 349,800	$ 1,117,399
Employee benefits	135,243	86,381	221,624	132,401	60,336	192,737
Staff development	6,999	2,100	9,099	9,389	620	10,009
Authorizer oversight fees	-	28,813	28,813	-	28,796	28,796
Content	18,952	-	18,952	22,719	-	22,719
Food costs	49,002	-	49,002	27,668	-	27,668
Equipment	21,346	-	21,346	21,035	-	21,035
Classroom and office supplies	21,685	20,239	41,924	52,793	6,694	59,487
Professional services	46,065	29,044	75,109	76,997	38,890	115,887
Occupancy	138,528	-	138,528	106,803	-	106,803
Contracted IT services	39,507	-	39,507	43,613	-	43,613
Travel	9,959	6,936	16,895	6,388	3,629	10,017
Insurance	-	9,449	9,449	-	4,475	4,475
Advertising	-	6,735	6,735	-	-	-
Depreciation	31,151	-	31,151	22,577	-	22,577
Interest	-	3,161	3,161	-	762	762
Other	2,441	3,225	5,666	2,339	1,720	4,059
Total functional expenses	$ 1,280,341	$ 681,162	$ 1,961,503	$ 1,292,321	$ 495,722	$ 1,788,043

See independent auditors' report and accompanying notes to the financial statements

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 405,678	$ 184,890
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	31,151	22,577
Land donation	(435,000)	-
Change in certain assets and liabilities:		
Grants receivable	46,172	(58,490)
Other receivables	6,405	(10,232)
Prepaid expenses	(6,492)	12,772
Security deposit	(11,910)	-
Accounts payable and accrued expenses	68,020	(12,149)
Net cash provided by operating activities	104,024	139,368
INVESTING ACTIVITIES		
Purchases of property and equipment	(2,520,824)	(41,715)
Change in cash restricted for construction	(2,312,735)	-
Net cash used in investing activities	(4,833,559)	(41,715)
FINANCING ACTIVITIES		
Proceeds from notes payable	4,652,655	-
Principal payments of capital lease obligation	-	(14,411)
Net cash provided by (used in) financing activities	4,652,655	(14,411)
NET CHANGE IN CASH	(76,880)	83,242
CASH, BEGINNING OF YEAR	151,535	68,293
CASH, END OF YEAR	$ 74,655	$ 151,535
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 3,161	$ 762

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Neighbors' Educational Opportunities, Inc. (the "Corporation") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The Corporation operates a public alternative charter high school established under Indiana Code 20-24 and is sponsored by Ball State University. Operations commenced with the 2012-2013 academic year. The Corporation also operates a comprehensive adult education program and an official testing site for the State of Indiana's High School Equivalency diploma (formerly referred to as GED).

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 Corporation 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 Corporation's revenue is the product of cost reimbursement grants. Accordingly, the Corporation 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 Corporation believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of 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 using the straight-line method. The estimated useful lives generally are as follows:

Building	37.5 years
Furniture and equipment	3 to 7 years

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 Corporation would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income, Continued – Professional accounting standards require the Corporation 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 Corporation has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2012 are open to audit for both federal and state purposes.

Reclassifications – Certain amounts in the statement of functional expenses for the year ended June 30, 2015 have been reclassified to conform to the groupings in the 2016 statement of functional expenses. Total expenses for 2015 have not changed.

Subsequent Events – The Corporation evaluated subsequent events through December 20, 2016, 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.

NOTE 2 - LEASES

The Corporation leased computer equipment under a capital lease. The lease provided that the Corporation obtains ownership of the equipment at the end of the lease term. The lease was paid in full during fiscal year 2015.

The Corporation leased its educational facility from Portage Township Schools on an annual basis for $1 per year plus monthly payments of $8,888 to cover utilities, maintenance, and insurance. The Corporation does not report a like kind contribution for donated facilities as the lease fair value is unknown. The lease was terminated at the end of the 2015/2016 school year. The Corporation moved to its new facilities during July 2016.

The Corporation also leases equipment under an operating lease agreement. The equipment lease matures in December 2018 and provides for monthly payments of $835.

Expense under these operating leases for the years ended June 30, 2016 and 2015 was $117,508 and $116,802, respectively.

Minimum future rental payments under non-cancelable operating leases with a remaining term in excess of one year as of June 30, 2016 are as follows for the years ending June 30:

2017	$	10,020
2018		10,020
2019		5,010

NOTE 3 - NOTES PAYABLE

Notes payable consisted of the following at June 30, 2016:

Note payable to Indiana State Board of Education, payable \$57,633 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, through July 2026. First payment due January 1, 2017. Loan executed April 2016.	\$	1,152,655
Note payable to 1st Source Bank, payable in monthly installments of interest only at 4.25% per annum until May 2017, beginning June 2017 monthly installments of \$27,789 including interest at 4.25% per annum, with a balloon payment due May 2022. Loan executed on May 2016.		3,500,000
		4,652,655
Less: current portion		(73,026)
Long-term portion	\$	4,579,629

The note payable to the Indiana State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the Corporation's future tuition support payments on the Corporation's basic grant.

Principal maturities of notes payable are as follows for the years ending June 30:

2017	\$	73,026
2018		304,291
2019		312,483
2020		321,030
2021		329,947
Thereafter		3,311,878
	\$	4,652,655

NOTE 4 - RETIREMENT PLAN

The Corporation maintains a SIMPLE IRA retirement plan with Oppenheimer Funds for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the Corporation matches up to 3% of each participant's compensation for the plan year. Retirement plan expense for the years ended June 30, 2016 and 2015 was \$18,161 and \$15,904, respectively.

NOTE 5 - 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 Corporation 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 $28,813 and $28,796 for the years ended June 30, 2016 and 2015, respectively. The charter will remain in effect until June 30, 2017 and is renewable thereafter by mutual consent.

In 2016, the Corporation purchased a building and committed to a construction project on the building with a total cost of $3,500,000. As of June 30, 2016, $1,117,323 in costs on the project had been incurred. The entire project was prefunded, with all the necessary cash held in an escrow account at 1st Source Bank and released directly to the project's contractor upon meeting agreed-upon terms.

NOTE 6 - RISKS AND UNCERTAINTIES

The Corporation 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 Corporation. Additionally, the Corporation is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the Corporation.

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist of receivables from Center of Workforce Innovations, Inc. and the State of Indiana.

NOTE 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 services and management and general.

THE NEW COMMUNITY SCHOOL, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, and the related statements of activities and change in net deficiency, functional expenses, 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.

Auditors' 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 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.

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, 2016 and 2015, and the changes in its net deficiency, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As discussed in Note 2 to the financial statements, the School has incurred losses from operations and has a deficiency in net assets as of June 30, 2016, which raises substantial doubt about its ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Emphasis of Matter Regarding Restatement

As discussed in Note 10 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

DONOVAN

Donovan

Indianapolis, Indiana
December 6, 2016

THE NEW COMMUNITY SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ -	$ 8,495
Grants receivable	4,231	26,154
Prepaid expenses	-	20,000
Total current assets	4,231	54,649
PROPERTY AND EQUIPMENT		
Land	764,600	764,600
Building	4,274,312	4,274,312
Building improvements	267,606	262,482
Furniture and equipment	453,660	450,160
Textbooks	31,771	42,475
Less: accumulated depreciation	(881,711)	(685,597)
Property and equipment, net	4,910,238	5,108,432
OTHER ASSETS		
Cash restricted for facility improvements	-	45,389
TOTAL ASSETS	$ 4,914,469	$ 5,208,470
LIABILITIES AND NET DEFICIENCY		
CURRENT LIABILITIES		
Current portion of capital lease obligations	$ 202,600	$ 228,024
Current portion of note payable	14,253	-
Line of credit	194,731	197,727
Accounts payable	72,563	53,296
Accrued expenses	51,315	37,895
Refundable advances	1,570	-
Total current liabilities	537,032	516,942
LONG-TERM LIABILITIES		
Capital lease obligations, net of current portion	4,661,498	4,817,158
Note payable, net of current portion	270,812	-
Total liabilities	5,469,342	5,334,100
NET DEFICIENCY		
Unrestricted	(554,873)	(125,630)
TOTAL LIABILITIES AND NET DEFICIENCY	$ 4,914,469	$ 5,208,470

See independent auditors' report and accompanying notes to the financial statements

THE NEW COMMUNITY SCHOOL, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET DEFICIENCY

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 1,303,807	$ 1,556,483
Grant revenue	128,958	114,058
Student fees	24,401	40,037
Contributions	19,444	116,945
Bond interest credit income	341,400	341,400
Interest income	65	184
Rental income	-	17,990
Other income	1,487	1,564
Total revenue and support	1,819,562	2,188,661
EXPENSES		
Program services	1,853,421	1,941,694
Management and general	395,384	320,099
Total expenses	2,248,805	2,261,793
CHANGE IN NET DEFICIENCY	(429,243)	(73,132)
NET DEFICIENCY, BEGINNING OF YEAR	(125,630)	(52,498)
NET DEFICIENCY, END OF YEAR	$ (554,873)	$ (125,630)

THE NEW COMMUNITY SCHOOL, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 732,677	$ 188,029	$ 920,706	$ 771,219	$ 150,951	$ 922,170
Employee benefits	181,206	47,997	229,203	225,143	40,264	265,407
Staff development	13,933	-	13,933	11,968	-	11,968
Professional services	51,257	37,064	88,321	81,617	44,255	125,872
Repairs and maintenance	22,925	-	22,925	37,750	-	37,750
Authorizer oversight fees	-	30,740	30,740	-	28,386	28,386
Food costs	11,747	-	11,747	14,572	-	14,572
Equipment	22,078	-	22,078	7,577	-	7,577
Classroom, kitchen, and office supplies	24,189	17,610	41,799	21,326	13,011	34,337
Occupancy	61,436	-	61,436	77,207	-	77,207
Depreciation	196,115	-	196,115	201,818	-	201,818
Interest	534,658	15,188	549,846	491,252	11,391	502,643
Insurance	-	24,293	24,293	-	25,227	25,227
Other	1,200	34,463	35,663	245	6,614	6,859
Total functional expenses	$ 1,853,421	$ 395,384	$ 2,248,805	$ 1,941,694	$ 320,099	$ 2,261,793

THE NEW COMMUNITY SCHOOL, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net deficiency	$ (429,243)	$ (73,132)
Adjustments to reconcile change in net deficiency to net cash provided by (used in) operating activities:		
Depreciation	196,115	201,818
Changes in certain assets and liabilities:		
Grants receivable	21,922	(19,483)
Prepaid expenses	20,000	87,075
Accounts payable	29,971	(59,387)
Accrued expenses	13,420	(35,977)
Refundable advances	1,570	(6,990)
Net cash provided by (used in) operating activities	(146,245)	93,924
INVESTING ACTIVITIES		
Purchases of property and equipment	(8,624)	(41,918)
Cash released for facility improvements	45,389	-
Net cash provided by (used in) investing activities	36,765	(41,918)
FINANCING ACTIVITIES		
Principal payments of capital lease obligations	(181,084)	(46,523)
Proceeds from note payable	285,065	-
Net repayments under line of credit	(2,996)	(457)
Net cash provided by (used in) financing activities	100,985	(46,980)
NET CHANGE IN CASH	(8,495)	5,026
CASH, BEGINNING OF YEAR	8,495	3,469
CASH, END OF YEAR	$ -	$ 8,495
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 208,446	$ 161,243

THE NEW COMMUNITY SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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 210 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 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 were fully utilized during 2016.

Grants Receivable – Grants 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 School 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, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, 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. Tax years ending after 2012 are open to audit for both federal and state purposes.

Property and Equipment – Purchases of 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 December 6, 2016, 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.

NOTE 2 - GOING CONCERN / SCHOOL CLOSING

As reflected in the accompanying financial statements, the School incurred a significant loss for the year ended June 30, 2016, and had a substantial deficiency in net assets and no cash balance as of June 30, 2016. Also, as of June 30, 2016, the School was two months in arrears on its capital lease payments and as of October 1, 2016, the line of credit is in default. In addition, the School has experienced a significant decline in student enrollment for the 2016/2017 school year, which further impacts the School's funding. These factors raise substantial doubt about the School's ability to continue as a going concern. During November 2016, the Board of Directors made the decision to close the School at the end of the current semester. The accompanying financial statements do not include any adjustments related to the anticipated closing of the School.

NOTE 3 - LINE OF CREDIT

The School has a $200,000 line of credit with Regions Bank. The line of credit is due on demand and matures on October 1, 2016. As of the date these financial statements were issued, the line of credit has not been renewed. 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, 2016 and 2015, the balance outstanding under the line of credit was $194,731 and $197,727, respectively.

NOTE 4 - LONG-TERM DEBT

The school received a note payable from the Indiana Common School Fund in February of 2016 in the amount of $285,065. The note is payable in semi-annual payments of principal and interest over a period of ten years, with interest at 1% per annum. Principal maturities of long-term debt are as follows for the year ending June 30:

2017	$	14,253
2018		28,507
2019		28,507
2020		28,507
2021		28,507
Thereafter		156,784

NOTE 5 - CAPITAL LEASE OBLIGATION

During 2012, the School committed to the construction of a school facility. The School executed an agreement with NCS Properties LLC ("Landlord"), whereby Landlord assumed 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. At the end of the lease term (June 30, 2031), the School has an option to purchase the building or $1.

The lease requires annual rental payments of $591,400. The School receives an annual bond interest credit in the amount of approximately $341,400; therefore the School's net annual cash obligation for rent is approximately $250,000. Each year, the School recognizes contribution income for the bond interest credit received. At June 30, 2016, the School was behind on two monthly payments. At June 30, 2016, the recorded cost and accumulated depreciation relating to the building was $4,274,312 and $418,829, 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, 2016:

		Total Obligation		Annual Bond Interest Credit		Estimated School Cash Requirement
2017	$	633,067	$	341,400	$	291,667
2018		591,400		341,400		250,000
2019		591,400		341,400		250,000
2020		591,400		341,400		250,000
2021		591,400		341,400		250,000
Thereafter		5,914,000		3,414,000		2,500,000
Total minimum lease payments		8,912,667	$	5,121,000	$	3,791,667
Less: amount representing interest		(4,048,569)				
	$	4,864,098				

NOTE 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 11% of compensation for other employees to PERF. Substantially all full-time employees are eligible to participate. Retirement plan expense under these plans was $53,538 and $75,373 for the years ended June 30, 2016 and 2015, respectively.

Additionally, in 2016 the school began offering a 403(b) retirement plan to employees. The plan offers a 7% employer match. Retirement plan expense under this plan was $17,215 for the year ended June 30, 2016.

NOTE 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 $30,740 and $28,386 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

NOTE 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, 2016 and 2015, substantially all of the receivable balance was due from the State of Indiana.

NOTE 9 - 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.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

At June 30, 2015, the School was behind on its capital lease obligation. The June 30, 2015 financial statements did not reflect this and interest expense was understated by $84,500. Current portion of capital lease obligations and interest expense have been increased by $84,500 as of June 30, 2015. Net assets (deficiency) has been decreased by $84,500 as of June 30, 2015.

THE NEW COMMUNITY SCHOOL, INC.
OTHER REPORT
For the Year Ended June 30, 2016

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*.

SUPPLEMENTAL AUDIT REPORT

OF

THE NEW COMMUNITY SCHOOL, INC.

TIPPECANOE COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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THE NEW COMMUNITY SCHOOL, INC.
TIPPECANOE COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	Anne Murphy-Kline	07/01/15 – 06/30/16
Executive Director	Leitha Stone	07/01/15 – 12/15/15
	Erin Walter	12/15/15 – 06/30/16
Director of Finance and Operations	Daniel Beaver	07/01/15 – 06/30/16

The Board of Directors
The New Community School, Inc.

We have audited the financial statements of **The New Community School, Inc.** (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated December 6, 2016. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
December 6, 2016

THE NEW COMMUNITY SCHOOL, INC.
TIPPECANOE COUNTY, INDIANA
Audit Results and Comments
July 1, 2015 to June 30, 2016

CREDIT CARD POLICY AND COMPLIANCE

The School utilized business credit cards for various purchases. In our testing of five credit card statements, we noted that interest payments and penalties were paid on all five statements tested.

The State Board of Accounts will not take exception to the use of credit cards by a charter school provided the following criteria are observed:

1. The charter school must authorize credit card use through an appropriate policy.

2. Issuance and use shall by handled by an employee designated by the charter school.

3. The purposes for which the credit card may be used must be specifically stated in the policy.

4. When the purpose for which the credit card has been issued has been accomplished, the card must be returned to the custody of the designated employee.

5. The designated employee must maintain an accounting system or log which would include the names of individuals requesting the usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.

6. Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track expenses to provide the charter school and other administration with timely and accurate accounting information and monitoring of the accounting system.

7. Payment shall not be made on the basis of a statement or a credit card slip only. Procedures for payments shall be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee shall be the responsibility of that officer or employee.

8. If properly authorized, an annual fee may be paid. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

NOTE: The School is shutting down at the end of December 2016. Therefore, no official response given for the above finding.

THE NEW COMMUNITY SCHOOL, INC.
TIPPECANOE COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on November 10, 2016 with Jason King (Board President), and Dr. Brian Carpenter (Consultant).

OPTIONS CHARTER SCHOOL - CARMEL, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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 the statements of financial position as of June 30, 2016 and 2015, the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

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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, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Indianapolis, Indiana
December 2, 2016

OPTIONS CHARTER SCHOOL - CARMEL, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 744,077	$ 351,221
Accounts receivable	110	2,340
Current portion of note receivable	37,500	-
Prepaid expenses	9,423	-
Total current assets	791,110	353,561
PROPERTY AND EQUIPMENT		
Leasehold improvements	172,782	82,697
Furniture and equipment	475,804	472,307
Less: accumulated depreciation	(512,812)	(504,268)
Property and equipment, net	135,774	50,736
OTHER ASSETS		
Note receivable, net of current portion	712,500	-
TOTAL ASSETS	$ 1,639,384	$ 404,297
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	$ 50,000	$ -
Accounts payable and accrued expenses	136,271	106,355
Total current liabilities	186,271	106,355
NOTE PAYABLE, NET OF CURRENT PORTION	950,000	-
Total liabilities	1,136,271	106,355
NET ASSETS, UNRESTRICTED	503,113	297,942
TOTAL LIABILITIES AND NET ASSETS	$ 1,639,384	$ 404,297

OPTIONS CHARTER SCHOOL - CARMEL, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 1,320,445	$ 1,328,060
Grant revenue	243,925	167,433
Student fees	6,761	6,284
Contribution from Options in Education Foundation, Inc.	12,831	15,810
Other income	36,702	260
Total revenue and support	1,620,664	1,517,847
EXPENSES		
Program services	827,902	691,936
Management and general	587,591	547,978
Total expenses	1,415,493	1,239,914
CHANGE IN NET ASSETS	205,171	277,933
NET ASSETS, BEGINNING OF YEAR	297,942	20,009
NET ASSETS, END OF YEAR	$ 503,113	$ 297,942

OPTIONS CHARTER SCHOOL - CARMEL, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 361,172	$ 323,797	$ 684,969	$ 308,115	$ 310,890	$ 619,005
Employee benefits	107,425	96,308	203,733	101,064	101,974	203,038
Occupancy	210,781	28,064	238,845	213,287	28,398	241,685
Equipment	66,845	-	66,845	12,470	-	12,470
Professional services	25,920	51,030	76,950	14,207	39,139	53,346
Depreciation	7,540	1,004	8,544	8,680	1,156	9,836
Classroom and office supplies	21,545	19,315	40,860	15,820	15,963	31,783
Authorizer oversight fees	-	27,716	27,716	-	24,667	24,667
Insurance	-	14,656	14,656	-	13,689	13,689
Transportation	2,043	1,831	3,874	916	924	1,840
Interest	-	2,767	2,767	-	-	-
Other	24,631	21,103	45,734	17,377	11,178	28,555
Total functional expenses	$ 827,902	$ 587,591	$ 1,415,493	$ 691,936	$ 547,978	$ 1,239,914

See independent auditors' report and accompanying notes to the financial statements

OPTIONS CHARTER SCHOOL - CARMEL, INC.

STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 205,171	$ 277,933
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	8,544	9,836
Change in certain assets and liabilities:		
Accounts receivable	2,230	(1,478)
Prepaid expenses	(9,423)	-
Accounts payable and accrued expenses	29,916	10,922
Net cash provided by operating activities	236,438 -	297,213
INVESTING ACTIVITIES		
Purchases of property and equipment	(93,582)	(38,068)
FINANCING ACTIVITIES		
Proceeds from note payable	1,000,000	-
Loan proceeds transferred to Options Charter School - Noblesville, Inc.	(750,000)	-
Net cash provided by financing activities	250,000	-
NET CHANGE IN CASH	392,856	259,145
CASH, BEGINNING OF YEAR	351,221	92,076
CASH, END OF YEAR	$ 744,077	$ 351,221

See independent auditors' report and accompanying notes to the financial statements

OPTIONS CHARTER SCHOOL - CARMEL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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 traditional high school programs.

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 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.

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 year ended June 30, 2016 and 2015, 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 ended after 2012 are open to audit for both federal and state purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of 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	40 years
Furniture and equipment	3 to 7 years

Subsequent Events – The School evaluated subsequent events through December 2, 2016, 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.

NOTE 2 - LINE OF CREDIT

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 and are secured by all school assets. There was no balance outstanding under the line of credit as of June 30, 2016 or 2015.

NOTE 3 - NOTE RECEIVABLE AND NOTE PAYABLE

During 2016, the School obtained a $1,000,000 note payable from the State Board of Education. The School immediately entered into an agreement to loan $750,000 of the proceeds to Options Charter School – Noblesville, Inc. ("Options – Noblesville"). The repayment terms with Options – Noblesville mirror the terms with the State Board of Education.

Note payable as of June 30, 2016 consisted of the following:

Note payable to State Board of Education, payable $50,000 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in February 2016. First payment due January 1, 2017.	$ 1,000,000
Less: current portion	(50,000)
Long-term portion	$ 950,000

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

NOTE 3 - NOTE RECEIVABLE AND NOTE PAYABLE, Continued

Note receivable as of June 30, 2016 consisted of the following:

Note receivable from Options – Noblesville, receivable $37,500 semi-annually (January 1 and July 1) plus interest at 1.00% per annum. First payment receivable on January 1, 2017.	$	750,000
Less: current portion		(37,500)
Long-term portion	$	712,500

Principal maturities of the note payable and note receivable are as follows for the years ending June 30:

		Note Payable		Note Receivable		Net
2017	$	50,000	$	37,500	$	12,500
2018		100,000		70,000		30,000
2019		100,000		70,000		30,000
2020		100,000		70,000		30,000
2021		100,000		70,000		30,000
Thereafter		550,000		432,500		117,500
	$	1,000,000	$	750,000	$	250,000

NOTE 4 - LEASES

The School leases its facility and certain items of office equipment under operating leases. The facility lease requires monthly payments over a twelve 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 – Noblesville $1,725 per month relating to its share of rent on the administrative offices. Expense under operating leases was $199,522 and $206,872 for the years ended June 30, 2016 and 2015, respectively.

Future minimum lease obligations are as follows for the years ended June 30:

2017	$	146,801
2018		148,021
2019		149,398
2020		125,695
2021		130,673

NOTE 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 $27,716 and $24,667 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

NOTE 6 - RELATED PARTIES

The School is related to Options – Noblesville in that they have a common Board of Directors. Both schools advance amounts to each other as needed to meet cash flow requirements. The net balance owed to Options – Noblesville as of June 30, 2016 and 2015 was $16,904. The School is also contingently liable as a guarantor with respect to a $75,000 line of credit maintained by Options – Noblesville. At June 30, 2016 and 2015, there was no balance outstanding under the line of credit.

The School is also affiliated with Options in Education Foundation, Inc. (the “Foundation”) in that the Foundation and the School have certain overlapping board members and that the Foundation solicits support and assistance to benefit the School. In the years ended June 30, 2016 and 2015, the School received financial assistance from the Foundation in the amounts of $12,831 and $15,810, respectively.

NOTE 7 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits 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 determined annually by the INPRS Board. Under the plans, the School contributed 10.5% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School’s contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2015 (the latest year reported), both TRF and PERF were more than 80% funded.

Employees can also elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. The School contributes 10.5% of participant compensation to the 403(b) plan. Retirement plan expense was $64,165 and $77,307 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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 concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2016 and 2015, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at First Merchants Bank are insured up to the FDIC insurance limit.

NOTE 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.

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

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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, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Indianapolis, Indiana
December 2, 2016

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 639,150	$ 273,972
Accounts receivable	34,165	12,720
Due from Options Charter School - Carmel, Inc.	16,904	16,904
Prepaid expenses	11,594	416
Total current assets	701,813	304,012
PROPERTY AND EQUIPMENT		
Buildings and improvements	1,928,004	12,039
Furniture and equipment	604,406	581,391
Less: accumulated depreciation	(539,898)	(497,640)
Property and equipment, net	1,992,512	95,790
TOTAL ASSETS	$ 2,694,325	$ 399,802
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 100,400	$ -
Accounts payable and accrued expenses	125,276	119,699
Total current liabilities	225,676	119,699
NOTES PAYABLE, NET OF CURRENT PORTION	1,907,604	-
Total liabilities	2,133,280	119,699
NET ASSETS, UNRESTRICTED	561,045	280,103
TOTAL LIABILITIES AND NET ASSETS	$ 2,694,325	$ 399,802

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 1,555,621	$ 1,316,572
Grant revenue	366,373	263,274
Student fees	8,729	10,736
Contribution from Options in Education Foundation, Inc.	13,794	15,816
Other income	23,700	22,248
Total revenue and support	1,968,217	1,628,646
EXPENSES		
Program services	1,111,135	910,040
Management and general	576,140	597,372
Total expenses	1,687,275	1,507,412
CHANGE IN NET ASSETS	280,942	121,234
NET ASSETS, BEGINNING OF YEAR	280,103	158,869
NET ASSETS, END OF YEAR	$ 561,045	$ 280,103

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 442,646	$ 328,520	$ 771,166	$ 426,060	$ 358,202	$ 784,262
Employee benefits	125,827	93,386	219,213	136,456	114,722	251,178
Occupancy	201,462	33,891	235,353	246,122	41,404	287,526
Equipment	53,444	-	53,444	13,908	-	13,908
Professional services	191,354	33,639	224,993	16,836	20,543	37,379
Depreciation	36,174	6,085	42,259	31,847	5,357	37,204
Classroom and office supplies	22,885	16,985	39,870	15,810	13,292	29,102
Authorizer oversight fees	-	30,771	30,771	-	25,595	25,595
Insurance	-	14,655	14,655	-	13,566	13,566
Transportation	2,031	1,508	3,539	1,482	1,246	2,728
Interest	-	3,481	3,481	-	-	-
Foundation expenses	13,794	-	13,794	15,816	-	15,816
Other	21,518	13,219	34,737	5,703	3,445	9,148
Total functional expenses	$ 1,111,135	$ 576,140	$ 1,687,275	$ 910,040	$ 597,372	$ 1,507,412

OPTIONS CHARTER SCHOOL - NOBLESVILLE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 280,942	$ 121,234
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	42,259	37,204
Changes in certain assets and liabilities:		
Accounts receivable	(21,445)	(3,761)
Prepaid expenses	(11,178)	(416)
Accounts payable and accrued expenses	5,577	26,450
Net cash provided by operating activities	296,155	180,711
INVESTING ACTIVITIES		
Purchases of property and equipment	(1,938,981)	(38,565)
FINANCING ACTIVITIES		
Proceeds from notes payable	2,008,004	-
NET CHANGE IN CASH	365,178	142,146
CASH, BEGINNING OF YEAR	273,972	131,826
CASH, END OF YEAR	$ 639,150	$ 273,972

NOTE 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 traditional high school programs.

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 to activities funded under grants and legislation enacted by the State of Indiana and amounts due from a related party. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of 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 generally are as follows:

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

Subsequent Events – The School evaluated subsequent events through December 2, 2016, 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.

NOTE 2 - LINE OF CREDIT

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 and are secured by all school assets. There was no balance outstanding under the line of credit as of June 30, 2016 or June 30, 2015.

NOTE 3 - NOTES PAYABLE

Notes payable as of June 30, 2016 consisted of the following:

Note payable to State Board of Education, payable $62,990 semi-annually plus interest at 1.00% per annum, advanced in March 2016	$	1,258,004
Note payable to Options Charter School - Carmel, Inc., payable $37,500 semi-annually plus interest at 1.00% per annum, advanced in March 2016		750,000
		2,008,004
Less: current portion		(100,400)
Long-term portion	$	1,907,604

NOTE 3 - NOTES PAYABLE, Continued

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

The note payable to Options Charter School – Carmel, Inc. ("Options – Carmel"), a related charter school, is also the result of the Common School Funds Charter School Innovation Fund Advancement program. Options – Carmel received a similar loan to the loan received by the School, and a portion of the loan was transferred to the School. The School has tentatively agreed to repay the loan following a similar payment schedule set by the State Board of Education.

Principal maturities of the notes payable are as follows for the years ending June 30:

2017	$	100,400
2018		200,800
2019		200,800
2020		200,800
2021		200,800
Thereafter		1,104,404
	$	2,008,004

NOTE 4 - LEASES

The School leased its school facility, administrative offices and storage space, and certain office equipment under multi-year operating leases. In March 2016, the School purchased the office building, thus eliminating the lease payments. The School was also responsible for utilities and insurance relating to the real estate leases. Options – Carmel reimburses the School at the rate of $1,725 per month for its share of expense relating to the administrative offices. Expense under these leases for the years ended June 30, 2016 and 2015 was $118,328 and $219,745, respectively.

Future minimum obligations under equipment leases are as follows for the years ending June 30:

2017	$	7,704
2018		3,852

NOTE 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 $30,771 and $25,595 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

NOTE 6 - RELATED PARTIES

The School is related to Options – Carmel in that they have a common Board of Directors. Both schools advance amounts to each other as needed to meet cash flow requirements. The net balance due from Options – Carmel as of June 30, 2016 and 2015 was $16,904. Options – Carmel paid the School $20,700 and $22,248 during the years ended June 30, 2016 and 2015, respectively, for a portion of the administrative expenses. The School is also contingently liable as a guarantor with respect to a $75,000 line of credit maintained by Options – Carmel. At June 30, 2016 and 2015, there was no balance outstanding under the line-of-credit.

The School is also affiliated with Options in Education Foundation, Inc. (the "Foundation") in that the Foundation and the School have certain overlapping board members and that the Foundation solicits support and assistance to benefit the School. In the years ended June 30, 2016 and 2015, the School received financial assistance from the Foundation in the amounts of $13,794 and $15,816, respectively.

NOTE 7 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits 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 determined annually by the INPRS Board. Under the plans, the School contributed 10.5% of compensation for electing teaching faculty to TRF and 11.2% of compensation for other electing employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2015 (the latest year reported), both TRF and PERF were more than 80% funded.

Employees can also elect to participate in a School-sponsored 403(b) plan in lieu of TRF or PERF. The School contributes 10.5% of participant compensation to the 403(b) plan. Retirement plan expense was $75,660 and $83,286 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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.

NOTE 8 - RISKS AND UNCERTAINTIES, Continued

Financial instruments that potentially subject the School to concentration of credit risk consist principally of receivables from the State of Indiana. At June 30, 2016 and 2015, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits maintained at First Merchants Bank are insured up to the FDIC insurance limit.

NOTE 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.

RENAISSANCE ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

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, 2016 and 2015, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

Indianapolis, Indiana
December 13, 2016

RENAISSANCE ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 438,672	$ 434,339
Grants receivable	69,671	30,293
Other receivables, net of allowance for doubtful accounts	35,435	17,088
Total current assets	543,778	481,720
PROPERTY AND EQUIPMENT		
Land	355,346	326,520
Buildings and improvements	666,821	637,261
Leasehold improvements	638,524	638,524
Furniture and equipment	136,338	133,415
Vehicles	63,391	24,154
Textbooks	26,698	26,698
Less: accumulated depreciation	(509,414)	(433,063)
Property and equipment, net	1,377,704	1,353,509
TOTAL ASSETS	$ 1,921,482	$ 1,835,229
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of notes payable	$ 67,405	$ 65,567
Accounts payable and accrued expenses	76,894	89,696
Deferred revenue	59,435	51,949
Total current liabilities	203,734	207,212
LONG-TERM LIABILITIES		
Notes payable, net of current portion	590,693	657,207
Total liabilities	794,427	864,419
NET ASSETS, UNRESTRICTED	1,127,055	970,810
TOTAL LIABILITIES AND NET ASSETS	$ 1,921,482	$ 1,835,229

See independent auditors' report and accompanying notes to the financial statements

RENAISSANCE ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 1,400,279	$ 1,288,703
Grant revenue	251,313	98,444
Student fees	202,584	188,596
Fundraising income	44,687	39,831
Other income	34,479	30,318
Total revenue and support	1,933,342	1,645,892
EXPENSES		
Program services	1,211,071	1,154,397
Management and general	566,026	536,422
Total expenses	1,777,097	1,690,819
CHANGE IN NET ASSETS	156,245	(44,927)
NET ASSETS, BEGINNING OF YEAR	970,810	1,015,737
NET ASSETS, END OF YEAR	$ 1,127,055	$ 970,810

See independent auditors' report and accompanying notes to the financial statements

RENAISSANCE ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 607,823	$ 293,853	$ 901,676	$ 553,397	$ 282,974	$ 836,371
Employee benefits	136,517	104,126	240,643	149,671	110,877	260,548
Professional services	32,220	20,386	52,606	19,423	19,397	38,820
Staff development and recruitment	50,068	-	50,068	29,364	-	29,364
Authorizer oversight fees	-	36,873	36,873	-	31,300	31,300
Transportation	680	-	680	637	100	737
Food costs	33,633	-	33,633	26,958	-	26,958
Classroom, kitchen, and office supplies	35,770	13,226	48,996	42,384	9,986	52,370
Field trips and events	62,427	-	62,427	64,244	-	64,244
Occupancy	137,320	-	137,320	140,504	-	140,504
Repairs and maintenance	37,412	-	37,412	52,562	-	52,562
Depreciation	76,351	-	76,351	74,736	-	74,736
Interest	-	32,615	32,615	-	26,102	26,102
Insurance	-	26,789	26,789	-	23,540	23,540
Bad debt	-	4,525	4,525	-	13,386	13,386
Other	850	33,633	34,483	517	18,760	19,277
Total functional expenses	$ 1,211,071	$ 566,026	$ 1,777,097	$ 1,154,397	$ 536,422	$ 1,690,819

RENAISSANCE ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 156,245	$ (44,927)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Gain on disposal of fixed assets	-	(2,519)
Depreciation	76,351	74,736
Change in certain assets and liabilities:		
Grants receivable	(39,378)	2,310
Other receivables	(18,347)	(62)
Accounts payable and accrued expenses	(12,802)	(2,007)
Deferred revenue	7,486	(12,842)
Net cash provided by operating activities	169,555	14,689
INVESTING ACTIVITIES		
Purchases of property and equipment	(100,546)	(331,975)
Proceeds from insurance settlement	-	2,716
Net cash used by investing activities	(100,546)	(329,259)
FINANCING ACTIVITIES		
Proceeds from note payable	-	550,000
Principal payments on notes payable	(64,676)	(55,154)
Net cash provided by (used in) financing activities	(64,676)	494,846
NET CHANGE IN CASH	4,333	180,276
CASH, BEGINNING OF YEAR	434,339	254,063
CASH, END OF YEAR	$ 438,672	$ 434,339
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 32,615	$ 26,102

See independent auditors' report and accompanying notes to the financial statements

NOTE 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.

Accounts 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 with regard to such receivables. Other receivables include student and preschool fees and are reviewed for collectability on an annual basis. The accompanying statements of financial position reflect allowances for doubtful accounts of $53,320 and $64,000 as of June 30, 2016 and 2015, respectively.

Property and Equipment – Purchases of 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:

Buildings and improvements	39 years
Leasehold improvements	5 to 15 years
Furniture and equipment	3 to 7 years
Vehicles	5 years
Textbooks	3 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 13, 2016, 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.

NOTE 2 - NOTES PAYABLE

Notes payable were comprised of the following at June 30:

	2016	2015
Loan payable to 1st Source Bank, payable in monthly installments of $3,575 including interest at 1.8% per annum through January 2020, secured by assets purchased with the loan proceeds and guaranteed by the school facility landlord (see Note 3)	$ 149,081	$ 188,860
Mortgage loan payable to 1st Source Bank, payable in monthly installments of $4,532 including interest at 5.55% per annum through September 2019, with a lump-sum payment of $417,381 due October 2019, secured by a mortgage on school facilities	509,017	533,914
	658,098	722,774
Less: current portion	(67,405)	(65,567)
Long-term portion	$ 590,693	$ 657,207

NOTE 2 - NOTES PAYABLE, Continued

Principal maturities of notes payable are as follows for the years ending June 30:

2017	$ 67,405
2018	69,670
2019	72,034
2020	448,989
	$ 658,098

NOTE 3 - LEASES

The School leases a portion of the school facilities 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, 2016 and 2015 was $101,136 and $100,944, respectively. The lease expense is scheduled to increase by the rate of inflation reported by the U.S. Bureau of Labor Statistics. The lease obligation for the year ending June 30, 2017 is $100,944.

NOTE 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 payments received. Expense under this charter agreement was $36,873 and $31,300 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

NOTE 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 10.25% of compensation until December 31, 2014 and 11.2% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was $69,955 and $66,390 for the years ended June 30, 2016 and 2015, respectively.

NOTE 6 - 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, 2016, 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.

NOTE 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.

RENAISSANCE ACADEMY, INC.
OTHER REPORT
For the Year Ended June 30, 2016

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.

SUPPLEMENTAL AUDIT REPORT
OF
RENAISSANCE ACADEMY, INC.

LAPORTE COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	Susan Cress	07/01/15 – 06/30/16
Head of School	Kieran McHugh	07/01/15 – 06/30/16
Treasurer	Heidi Potucek	07/01/15 – 06/30/16

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The Board of Directors
Renaissance Academy, Inc.

We have audited the financial statements of **Renaissance Academy, Inc.** (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated December 13, 2016. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
December 15, 2016

RECEIPTS AND DEPOSITS

The School receives cash for various purposes including textbook fees, field trips, enrollment, fundraising and various other items. Procedures were in place to process cash collections; however, we noted 13 instances in our sample of 25 cash receipt transactions where the bank deposit was not made in a timely manner. The span of time between the date of collection and the date of deposit ranged from 7 to 18 days.

All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on December 15, 2016 with Lori Gayheart (Business Manager), Kieran McHugh (Head of School), Tina Bushue (Accountant), Vickie McHugh (Assistant Head of School), and Ann Bates (Board Member). The Official Response has been made a part of this report and may be found on page 5.

Renaissance Academy

SUPPLEMENTAL AUDIT REPORT RESPONSES

RECEIPTS AND DEPOSITS

The accountant employed by Renaissance is part-time. It is cost and time prohibitive for a bank deposit to be made daily. Deposits are typically made on a weekly basis unless payments are received immediately prior to school breaks, such as in the winter and spring, or during the summer, when it would be fiscally irresponsible to compensate our part-time accountant to come in to deposit small amounts of money. Monies waiting to be deposited are kept in a secure office in a secure cabinet accessible only to authorized personnel. Barring any unusual circumstances such as the school being on break, or the accountant being absent, deposits will routinely be made every week.

Submitted by:

Lori Gayheart
Chief Administrator

4093 West US20, LaPorte, Indiana 46350
(219) 878-8711 www.rschool.net info@rschool.net

ROCK CREEK COMMUNITY ACADEMY, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses 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.

Auditors' 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 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 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 Rock Creek Community Academy, Inc. as of June 30, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

Indianapolis, Indiana
October 7, 2016

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 803,665	$ 667,844
Grants receivable	38,229	16,233
Accounts receivable	3,858	-
Prepaid expenses	34,961	35,252
Total current assets	880,713	719,329
SECURITY DEPOSIT	4,000	15,775
PROPERTY AND EQUIPMENT		
Leasehold improvements	555,013	551,163
Furniture and equipment	555,738	491,899
Textbooks	327,471	317,320
Less: accumulated depreciation	(1,022,943)	(811,283)
Property and equipment, net	415,279	549,099
TOTAL ASSETS	$ 1,299,992	$ 1,284,203
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	$ 18,567	$ 34,478
Accounts payable and accrued expenses	236,330	210,463
Deferred revenue	127,210	128,340
Refundable advances	-	3,189
Total current liabilities	382,107	376,470
LONG-TERM LIABILITIES		
Note payable, net of current portion	-	18,567
Total liabilities	382,107	395,037
NET ASSETS		
Unrestricted	871,311	849,013
Temporarily restricted	46,574	40,153
Total net assets	917,885	889,166
TOTAL LIABILITIES AND NET ASSETS	$ 1,299,992	$ 1,284,203

See independent auditors' report and accompanying notes to the financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
State education support	$ 2,983,340	$ -	$ 2,983,340	$ 2,968,465	$ -	$ 2,968,465
Grant revenue	512,093	-	512,093	265,276	-	265,276
Student fees	220,764	57,280	278,044	222,530	69,583	292,113
Contributions	30,917	7,515	38,432	4,434	3,976	8,410
Fundraising income	11,279	65,274	76,553	4,197	93,413	97,610
Net assets released from restrictions	123,648	(123,648)	-	145,449	(145,449)	-
Total revenue and support	3,882,041	6,421	3,888,462	3,610,351	21,523	3,631,874
EXPENSES						
Program services	3,278,114	-	3,278,114	3,101,404	-	3,101,404
Management and general	581,629	-	581,629	531,789	-	531,789
Total expenses	3,859,743	-	3,859,743	3,633,193	-	3,633,193
CHANGE IN NET ASSETS	22,298	6,421	28,719	(22,842)	21,523	(1,319)
NET ASSETS, BEGINNING OF YEAR	849,013	40,153	889,166	871,855	18,630	890,485
NET ASSETS, END OF YEAR	$ 871,311	$ 46,574	$ 917,885	$ 849,013	$ 40,153	$ 889,166

See independent auditors' report and accompanying notes to the financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,529,611	$ 325,855	$ 1,855,466	$ 1,442,585	$ 284,476	$ 1,727,061
Employee benefits	382,203	63,017	445,220	340,168	58,155	398,323
Staff development	3,199	-	3,199	4,850	-	4,850
Professional services	295,610	61,134	356,744	319,691	63,070	382,761
Repairs and maintenance	43,189	-	43,189	46,010	-	46,010
Authorizer oversight fees	-	72,791	72,791	-	68,411	68,411
Food costs	59,067	-	59,067	58,376	-	58,376
Equipment	43,167	-	43,167	31,452	-	31,452
Classroom, kitchen, and office supplies	209,533	5,780	215,313	166,563	7,563	174,126
Occupancy	383,471	-	383,471	333,118	-	333,118
Depreciation	219,382	-	219,382	243,384	-	243,384
Field trips	59,613	-	59,613	78,066	-	78,066
Interest	-	3,742	3,742	-	7,158	7,158
Insurance	-	32,506	32,506	-	24,904	24,904
Loss on disposal of asset	7,278	-	7,278	-	-	-
Other	42,791	16,804	59,595	37,141	18,052	55,193
Total functional expenses	$ 3,278,114	$ 581,629	$ 3,859,743	$ 3,101,404	$ 531,789	$ 3,633,193

See independent auditors' report and accompanying notes to the financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 28,719	$ (1,319)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	211,660	243,384
Loss on disposal of assets	7,278	-
Change in:		
Grants receivable	(21,996)	155,575
Accounts receivable	(3,858)	-
Prepaid expenses	291	(6,072)
Security deposit	11,775	-
Accounts payable and accrued expenses	25,867	2,349
Deferred revenue	(1,130)	(8,233)
Refundable advances	(3,189)	(6,811)
Net cash provided by operating activities	255,417	378,873
INVESTING ACTIVITIES		
Purchases of property and equipment	(86,089)	(58,534)
Proceeds from sale of property and equipment	971	-
Net cash used in investing activities	(85,118)	(58,534)
FINANCING ACTIVITIES		
Principal repayments of note payable	(34,478)	(31,218)
NET CHANGE IN CASH	135,821	289,121
CASH, BEGINNING OF YEAR	667,844	378,723
CASH, END OF YEAR	$ 803,665	$ 667,844
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 3,742	$ 7,158

See independent auditors' report and accompanying notes to the financial statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO THE FINANCIAL STATEMENT
For the Years Ended June 30, 2016 and 2015

NOTE 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. The School, located in Sellersburg, Indiana, provided educational instruction to approximately 500 students in grades kindergarten to twelve during the 2015-2016 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 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.

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.

NOTE 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	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.

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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through October 7, 2016, 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.

NOTE 2 – 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, 2015, the School had refundable grant advances in excess of expenditures of $3,189. There were no refundable advances at June 30, 2016.

NOTE 3 – NOTE PAYABLE

Note payable as of June 30, 2016 and 2015 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. The outstanding balance at June 30, 2016 and 2015 was $18,567 and $53,045, respectively.

NOTE 4 – 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 2016 and 2015 was $305,098 and $285,142, respectively. Minimum future rental payments as of June 30, 2016 for all operating leases with noncancellable lease terms in excess of one year are as follows for the years ending June 30:

2017	$	215,800
2018		187,080
2019		132,000
2020		132,000

NOTE 5 – RETIREMENT PLAN

The School maintains a Section 403(b) defined contribution 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, 2016 and 2015 was $141,745 and $103,970, respectively.

NOTE 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. The charter remains in effect until June 30, 2020, and is renewable thereafter by mutual consent. Payments under this charter agreement were $72,791 and $68,411 for the years ended June 30, 2016 and 2015, respectively.

NOTE 7 – 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, 2016, substantially all of the grants 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.

NOTE 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 and management services.

RURAL COMMUNITY SCHOOLS, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses 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.

Auditors' 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 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.

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, 2016 and 2015 and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

Indianapolis, Indiana
December 12, 2016

RURAL COMMUNITY SCHOOLS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 509,674	$ 390,323
Grants receivable	2,612	5,937
Total current assets	512,286	396,260
PROPERTY AND EQUIPMENT		
Leasehold improvements	112,654	89,399
Furniture and equipment	283,424	257,925
Textbooks and library books	66,575	53,604
Less: accumulated depreciation	(245,689)	(202,918)
Property and equipment, net	216,964	198,010
TOTAL ASSETS	$ 729,250	$ 594,270
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 55,950	$ 61,110
NET ASSETS, UNRESTRICTED	673,300	533,160
TOTAL LIABILITIES AND NET ASSETS	$ 729,250	$ 594,270

See independent auditors' report and accompanying notes to the financial statements

RURAL COMMUNITY SCHOOLS, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 1,155,043	$ 1,073,957
Grant revenue	251,320	194,437
Student fees	32,486	29,611
Extracurricular activities revenue	24,531	29,590
Contributions	39,856	14,825
Other income	5,222	8,942
Total revenue and support	1,508,458	1,351,362
EXPENSES		
Program services	1,145,369	1,060,495
Management and general	222,949	197,407
Total expenses	1,368,318	1,257,902
CHANGE IN NET ASSETS	140,140	93,460
NET ASSETS, BEGINNING OF YEAR	533,160	439,700
NET ASSETS, END OF YEAR	$ 673,300	$ 533,160

See independent auditors' report and accompanying notes to the financial statements

RURAL COMMUNITY SCHOOLS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 662,304	$ 103,030	$ 765,334	$ 592,258	$ 93,919	$ 686,177
Employee benefits	159,477	28,079	187,556	146,607	23,044	169,651
Staff development	9,579	-	9,579	4,271	-	4,271
Professional services	46,913	7,112	54,025	54,724	8,160	62,884
Textbooks and education materials	8,111	-	8,111	7,998	-	7,998
Authorizer oversight fees	-	21,644	21,644	-	20,579	20,579
Food costs	77,121	-	77,121	69,494	-	69,494
Transportation	20,904	1,256	22,160	23,285	779	24,064
Equipment and rentals	17,715	16,135	33,850	13,562	13,031	26,593
Classroom, kitchen, and office supplies	20,902	14,067	34,969	15,955	10,154	26,109
Occupancy	56,963	2,283	59,246	52,575	986	53,561
Depreciation	42,771	-	42,771	48,644	-	48,644
Insurance	-	16,398	16,398	-	16,045	16,045
Advertising	-	6,605	6,605	-	4,308	4,308
Extracurricular activities	19,512	-	19,512	25,943	-	25,943
Loss on disposal of assets	-	-	-	3,118	-	3,118
Other	3,097	6,340	9,437	2,061	6,402	8,463
Total functional expenses	$ 1,145,369	$ 222,949	$ 1,368,318	$ 1,060,495	$ 197,407	$ 1,257,902

RURAL COMMUNITY SCHOOLS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 140,140	$ 93,460
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of assets	-	3,118
Depreciation	42,771	48,644
Change in certain assets and liabilities:		
Grants receivable	3,325	20,733
Accounts payable and accrued expenses	(5,160)	1,542
Net cash provided by operating activities	181,076	167,497
INVESTING ACTIVITIES		
Purchases of property and equipment	(61,725)	(36,430)
NET CHANGE IN CASH	119,351	131,067
CASH, BEGINNING OF YEAR	390,323	259,256
CASH, END OF YEAR	$ 509,674	$ 390,323

See independent auditors' report and accompanying notes to the financial statements

RURAL COMMUNITY SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Rural Community Schools, 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 provides educational instruction to approximately 150 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 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.

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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

RURAL COMMUNITY SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – Purchases of 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
Textbook and library books	5 years

Subsequent Events – The School evaluated subsequent events through December 12, 2016, 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.

NOTE 2 - LEASES

The School leases its facility and certain items of office equipment under operating leases. The facility lease is renewable annually and provides for monthly rental payments of $1,000. The School is also responsible for the cost of utilities and maintenance, which approximates $2,750 monthly. Future minimum lease obligations as of June 30, 2016 for non-cancelable 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, 2016 and 2015 was $14,793 and $11,299, respectively.

NOTE 3 - RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel 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 determined annually by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for eligible teaching personnel to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2015 (the latest year reported), TRF and PERF were more than 80% funded.

Retirement plan expense was $51,568 and $40,328 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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. Expense under this charter agreement was $21,644 and $20,579 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2021, and is renewable thereafter by mutual consent.

NOTE 5 - 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, 2016 and 2015, substantially all of the receivable balance was due from the State of Indiana. Cash deposits are maintained at Regions Bank and are insured up to the FDIC insurance limit.

NOTE 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.

RURAL COMMUNITY SCHOOLS, INC.
OTHER REPORT
For the Year Ended June 30, 2016

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.*

SUPPLEMENTAL AUDIT REPORT

OF

RURAL COMMUNITY SCHOOLS, INC.

SULLIVAN COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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RURAL COMMUNITY SCHOOLS, INC.
SULLIVAN COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2015

Office	Official	Term
President of Board of Directors	Meleah Sullivan	07/01/15 – 06/30/16
School Leader/Treasurer	Susie Pierce	07/01/15 – 06/30/16

DONOVAN

CPAs | ADVISORS

The Board of Directors
Rural Community Schools, Inc.

We have audited the financial statements of Rural Community Schools, Inc. (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated December 12, 2016. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
December 12, 2016

CASH RECEIPTS AND DEPOSITS

The School receives payments for various purposes, including membership fees, meal purchases, fundraising, and field trips. In our sample of 25 cash receipts transactions from throughout the year, we noted 15 instances where the payment received was not deposited timely. The length of time between the receipt of payment and deposit in the bank ranged from 17 days to 49 days.

All charter school money must be deposited in the designated depository no later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

RURAL COMMUNITY SCHOOLS, INC.
SULLIVAN COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on December 12, 2016, with Meleah Sullivan (Board President), Susie Pierce (School Leader/Treasurer), Leona Davis (in-coming CFO), and Tanna Jo Weszley (in-coming School Leader). The official response has been made a part of this report and may be found on page 5.

Mailing Address
P.O. Box 85
Graysville, IN 47852
Phone 812-382-4500

Rural Community Academy

"A Public School Where Every Child Soars"
www.rcsi.k12.in.us

Physical Address
2385 N. State Road 63
Sullivan, IN 47882
Fax 812-382-4055

December 12, 2016

To: Donovan, Certified Public Accountants and Advisors

You have audited the financial statements of Rural Community Schools, Inc. dba Rural Community Academy, as of and for the year ended June 30, 2016 and have issued your report thereon dated December 12, 2016. As part of your audit, you tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where you found we were not in compliance. Below is our response to those compliance findings.

<u>CASH DEPOSITS AND RECEIPTS</u>

Deposits and receipts were not taken to the bank in a timely matter. It is agreed that the finding is correct in that we have not made timely deposits. We are rectifying those findings by finding an alternative way to get deposits to the bank by changing banks to be closer to meet SBOA requirements.

Sincerely,

Susie Pierce

Susie Pierce, School Leader

Meleah Sullivan

Meleah Sullivan, RCSI Board President

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

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, 2016 and 2015, and the changes in its net assets, its functional expenses, 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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), 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, 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 April 26, 2017 on our consideration 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.

DONOVAN

Donovan

Indianapolis, Indiana
April 26, 2017

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 823,483	$ 967,077
Cash - restricted for debt service	221,250	206,250
Certificate of deposit	524,038	524,038
Grants receivable	564,482	62,083
Other receivables	40,262	91,083
Prepaid expenses	49,690	-
Total current assets	2,223,205	1,850,531
PROPERTY AND EQUIPMENT		
Land	859,886	859,886
Buildings and improvements	16,857,204	16,857,204
Furniture, fixtures and equipment	3,772,502	3,772,502
Less: accumulated depreciation	(7,066,538)	(6,351,818)
Property and equipment, net	14,423,054	15,137,774
OTHER ASSETS		
Cash restricted for debt service	1,454,973	1,505,075
Debt issuance costs, net of amortization	670,884	699,463
Total other assets	2,125,857	2,204,538
TOTAL ASSETS	$ 18,772,116	$ 19,192,843
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable	$ 295,000	$ 275,000
Accounts payable and accrued expenses	109,866	19,985
Total current liabilities	404,866	294,985
LONG-TERM LIABILITIES		
Bonds payable, net of current portion	17,630,000	17,925,000
Total liabilities	18,034,866	18,219,985
NET ASSETS, Unrestricted	737,250	972,858
TOTAL LIABILITIES AND NET ASSETS	$ 18,772,116	$ 19,192,843

See independent auditors' report and accompanying notes to the financial statements.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 8,685,718	$ 9,354,650
Grant revenue	3,200,796	2,722,797
Student fees	210,743	253,489
Contributions	1,819	500
Interest	1,633	1,307
Other	89,376	65,315
Total revenue and support	12,190,085	12,398,058
EXPENSES		
Program services	10,568,091	11,817,933
Management and general	1,857,602	1,706,591
Total expenses	12,425,693	13,524,524
CHANGE IN NET ASSETS	(235,608)	(1,126,466)
NET ASSETS. BEGINNING OF YEAR	972,858	2,099,324
NET ASSETS. END OF YEAR	$ 737,250	$ 972,858

See independent auditors' report and accompanying notes to the financial statements.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries, wages, and benefits	$ 6,522,953	$ 706,264	$ 7,229,217	$ 6,988,293	$ 604,678	$ 7,592,971
Staff development	50,655	-	50,655	77,242	-	77,242
Professional services	195,264	114,319	309,583	502,635	21,452	524,087
Repairs and maintenance	178,809	520	179,329	269,670	-	269,670
Authorizer oversight fees	-	188,472	188,472	-	187,153	187,153
Food service expense	679,353	-	679,353	671,912	-	671,912
Transportation	83,715	1,998	85,713	77,717	-	77,717
Academic and management services	-	536,033	536,033	-	654,825	654,825
Amortization	-	28,579	28,579	-	28,578	28,578
Classroom, kitchen, and office supplies	328,937	103,171	432,108	493,452	105,180	598,632
Occupancy	561,523	-	561,523	598,710	-	598,710
Depreciation	714,720	-	714,720	898,204	-	898,204
Interest	1,229,466	-	1,229,466	1,240,098	-	1,240,098
Insurance	-	155,088	155,088	-	66,038	66,038
Other	22,696	23,158	45,854	-	38,687	38,687
Total functional expenses	$ 10,568,091	$ 1,857,602	$ 12,425,693	$ 11,817,933	$ 1,706,591	$ 13,524,524

See independent auditors' report and accompanying notes to the financial statements.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ (235,608)	$ (1,126,466)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Depreciation	714,720	898,204
Amortization	28,579	28,578
Change in:		
Grants receivable	(502,399)	224,722
Other receivables	50,821	(70,860)
Prepaid expenses	(49,690)	2,487
Accounts payable and accrued expenses	89,881	(831,277)
Net cash provided by (used in) operating activities	96,304	(874,612)
INVESTING ACTIVITIES		
Purchases of property and equipment	-	(172,822)
FINANCING ACTIVITIES		
Principal repayment of bond payable	(275,000)	(260,000)
(Increase) decrease in cash restricted for debt service	35,102	(11,250)
Net cash used by financing activities	(239,898)	(271,250)
NET CHANGE IN CASH	(143,594)	(1,318,684)
CASH, BEGINNING OF YEAR	967,077	2,285,761
CASH, END OF YEAR	$ 823,483	$ 967,077
SUPPLEMENTAL INFORMATION		
Cash payments for interest	$ 1,229,466	$ 1,240,098

See independent auditors' report and accompanying notes to the financial statements.

NOTE 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 was sponsored by Ball State University. Effective with the beginning of the 2017 fiscal year, the school will be sponsored by Trine University. The School has entered into a service agreement with The Leona Group, LLC, an organization incorporated in the State of Michigan, 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.

Property and Equipment – Purchases of 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	15 to 39 years
Furniture, fixtures, and equipment	3 to 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, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

NOTE 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. Tax years ending after 2013 are open to audit for both federal and state purposes.

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 April 26, 2017, 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 2015 that were previously reported have been reclassified for comparative purposes. These reclassifications had no impact on the report change in net assets.

NOTE 2 – BONDS PAYABLE

Bonds payable as of June 30, 2016 and 2015 consisted of Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2009. The loan principal is payable in annual installments that increase from $230,000 to $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. The bond obligation is secured by land, structures, and improvements.

The 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, and requiring financial reporting to the lender within certain timelines. The School was in compliance with the debt service coverage ratio as of December 31, 2016, but failed to provide the required financial information within the required timeline. The School has obtained a waiver from the lender for the violation of this covenant.

NOTE 2 – BONDS PAYABLE, Continued

Future maturities of the bonds are as follows for the years ending June 30:

2017	$ 295,000
2018	310,000
2019	330,000
2020	350,000
2021	370,000
Thereafter	16,270,000
Total	$ 17,925,000

NOTE 3 – 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 provided 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 equipment leases extend through February 2017.

Expected lease payments for the year ending June 30, 2017 total $141,985.

NOTE 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. Substantially all full-time employees are eligible to participate. 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 11.2%. 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.

Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2015 (the latest year reported), both TRF and PERF were more than 80% funded.

Retirement plan expense was approximately $540,000 for the years ended June 30, 2016 and 2015.

NOTE 5 – COMMITMENTS

The School operated under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercised certain oversight responsibilities. Under this charter, the School agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. The charter terminated June 30, 2016. Payments under this agreement were $188,472 and $187,153 for the years ended June 30, 2016 and 2015.

For the 2014 – 2015 academic year, 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 7% of revenues, as defined, for such services. Management fee expense under this contract was $654,825 for the year ended June 30, 2015. The contract, which commenced July 1, 2010, expired on June 30, 2015, and the School elected to not renew the agreement.

For the 2015-16 academic year, the School entered into a one-year agreement with The Leona Group, LLC to provide financial, management, administrative, and educational programming services. The fee for these services were $536,033 for the year ending June 30, 2016.

NOTE 6 – 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, 2016 and 2015, substantially all of the grants receivable balance was due from the State of Indiana. In addition, a majority of cash deposits are maintained at BMO Harris Bank, and frequently exceed the FDIC insurance limit.

NOTE 7 – CONTINGENCIES

The School is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of providing educational instruction. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial position or financial activities of the School. The School has not recorded a liability with respect to such proceedings.

NOTE 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 and management services.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

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			
Grants to Local Educational Agencies	84.010	14-9790	$ 1,355,940
Special Education Cluster			
Special Education - Grants to States	84.027	14214-521-PN01	252,704
Improving Teacher Quality State Grants	84.367		174,253
Total federal awards expended			$ 1,782,897

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Drexel Foundation for Educational Excellence, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Drexel Foundation for Educational Excellence, Inc., it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Drexel Foundation for Educational Excellence, Inc.

NOTE 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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INDEPENDENT AUDITORS' 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, 2016, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 26, 2017.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2016-001).

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 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 2016-001.

The School's Response to Findings

The School's response to the finding 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 the financial statements and, accordingly, we express no opinion on it.

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 Drexel Foundation for Educational Excellence, Inc.'s internal control or on compliance. This 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

Donovan

Indianapolis, Indiana
April 26, 2017

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *THE UNIFORM GUIDANCE*

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 U.S. *Office of Management and Budget (OMB) 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, 2016. The School's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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, 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, 2016.

Report on Internal Control Over Compliance

Management of the 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 as a basis for designing 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 the Uniform Guidance, 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, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DONOVAN

Indianapolis, Indiana
April 26, 2017

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

I. Summary of Auditors' Results

Financial Statements

Type of auditors' 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:	None Reported
Type of auditors' 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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee:	No

II. Financial Statement Findings

FINDING NO. 2016-001 RECEIPTS AND DEPOSITS

The School was unable to provide documentation that would allow tracing of receipts to specific deposits. This lack of documentation prevented verification that receipts selected for testing were deposited into the School's bank account. This could potentially subject the school to the risk of misappropriation of funds. Procedures should be established to remedy this issue in future periods.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
OTHER REPORT
For the Year Ended June 30, 2016

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*.

Thea Bowman Leadership Academy

3401 West 5th Avenue
Gary, Indiana 46406
Office (219) 944-3100
Fax (219) 977-4780

April 26, 2017

Donovan, P.C.
9245 N. Meridian Street, Suite 302
Indianapolis, IN 46260

This letter is to outline responses to 6/30/16 Internal Control audit findings:

1) Finding No. 2016-001 Receipts and Deposits – to correct this finding, Thea Bowman Leadership Academy has implemented procedures requiring support for all deposits to be scanned and reconciled monthly as a part of the month end close. Receipts are reviewed and approved by the school Principal and a reconciliation worksheet is prepared to account for all funds. The approved reconciliation worksheet and all supporting receipts are scanned to finance and reconciled to the bank statement monthly.

Thank you,

Earl Phalen, Superintendent

NAME, TITLE

Signature

SUPPLEMENTAL AUDIT REPORT

OF

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY

LAKE COUNTY, INDIANA

July 1, 2015 to June 30, 2016

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DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
LAKE COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	Michael Suggs	07/01/15 – 06/30/16
Principal (Middle and High School)	Sarita Stevens	07/01/15 – 06/30/16
Principal (Elementary School)	Michael Collins	07/01/15 – 06/30/16
Treasurer	Don Ash	07/01/15 – 06/30/16

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The Board of Directors
Drexel Foundation for Educational Excellence, Inc.

We have audited the financial statements of Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the "School") as of and for the year ended June 30, 2016 and have issued our report thereon dated April 26, 2017. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
April 26, 2017

TICKET SALES

The School charges admission to various athletic and other school events. It did not maintain proof that pre-numbered tickets were used. The School also did not use the SA-4 Ticket Sales Form.

The designated charter school employee shall be responsible for the proper accounting for all tickets and must keep a record of the number purchased, the number issued for sale, and the number returned. The designee must see that proper accounting is made for the cash received from those sold. All tickets shall be pre-numbered, with a different ticket color and numerical series for each price group. When cash for ticket sales is deposited with the charter school, the charter school's receipt issued therefore must show the number of tickets issued to the seller, the number returned unsold and the balance remitted in cash. All tickets (including free or reduced) must be listed and accounted for on the SA-4 Ticket Sales Form. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

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 Charter Schools, Part 10)

FINANCIAL REPORTING

Our examination of the semi-annual financial report to the Indiana Department of Education (Form 9) for the period January 1, 2016 to June 30, 2016 revealed that the June 30, 2016 cash balance did not reflect the balance as reported on the books and records. The balance reported on Form 9 was lower than the general ledger balance by $309,760, and the cash balances for various federal grant funds did not reflect accurate balances at June 30, 2016.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information. The January report must include previous calendar year financial and other required information for the period July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

The charter school's accounting system must facilitate the preparation of the periodic financial reports for administrative review and the required year-end financial statements. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

RECEIPTS AND DEPOSITS

The School receives cash payments for various purposes including field trips, uniforms, and book rentals. Procedures were in place to process cash collections; however, the School was unable to provide documentation that would allow identification of which receipts made up individual deposits.

The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of payors. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY
LAKE COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on April 14, 2017 with Eva Spilker, Director of Finance at The Phalen Leadership Academies. Eva presented the contents of this report to the Board of Directors on April 26, 2017. The Official Response has been made a part of this report and may be found on page 6.

Thea Bowman Leadership Academy
3401 West 5th Avenue
Gary, Indiana 46406
Office (219) 944-3100
Fax (219) 977-4780

April 26, 2017

Donovan, P.C.
9245 N. Meridian Street, Suite 302
Indianapolis, IN 46260

This letter is to outline responses to 6/30/16 Supplemental Report audit findings:

1) Ticket Sales – to correct this finding, Thea Bowman Leadership Academy has implemented the below procedures: Activity Sponsors must utilize pre-printed, numbered tickets or receipts that allow one part to be issued to event attendee and one part to be retained by Activity Sponsor. All tickets shall be pre-numbered, with a different ticket color and numerical series for each price group. All tickets or receipts must be accounted for and summarized on an SA-4 deposit summary that is approved by the Activity Sponsor and the school Principal. The Principal approved deposit slip and deposit worksheet are emailed to Finance and then filed at the school.

2) Form 9 for the Period 1/1/16-6/30/16 variance to the GL cash balance – to correct this finding, Thea Bowman Leadership Academy will enter an adjustment on the 6/30/17 Form 9 report.

3) Receipts and Deposits – to correct this finding, Thea Bowman Leadership Academy has implemented procedures requiring support for all deposits to be scanned and reconciled monthly as a part of the month end close. Receipts are reviewed and approved by the school Principal and a reconciliation worksheet is prepared to account for all funds. The approved reconciliation worksheet and all supporting receipts are scanned to finance and reconciled to the bank statement monthly.

Thank you,

Earl Phalen, Superintendent
NAME, TITLE

Earl Phalen

Signature

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, and the related statements of activities and change in net assets, functional expenses, 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.

Auditors' 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 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.

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, 2016 and 2015, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DONOVAN

Donovan

Indianapolis, Indiana
November 11, 2016

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 106,725	$ 17,891
Grants receivable	22,290	8,645
Prepaid expenses	7,606	386
Total current assets	136,621	26,922
PROPERTY AND EQUIPMENT		
Leasehold improvements	11,205	11,205
Furniture and equipment	76,353	70,353
Textbooks	42,172	35,049
Less: accumulated depreciation	(93,875)	(72,045)
Property and equipment, net	35,855	44,562
TOTAL ASSETS	$ 172,476	$ 71,484
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES		
Current portion of note payable	$ 8,000	$ 12,000
Accounts payable and accrued expenses	133,212	183,477
Refundable advances	-	11,347
Total current liabilities	141,212	206,824
LONG-TERM LIABILITIES		
Note payable	-	8,000
Total liabilities	141,212	214,824
UNRESTRICTED NET ASSETS (DEFICIENCY)	31,264	(143,340)
TOTAL LIABILITIES AND NET ASSETS (DEFICIENCY)	$ 172,476	$ 71,484

See independent auditors' report and accompanying notes to the financial statements.

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 888,675	$ 824,629
Grant revenue	203,409	89,192
Student fees	14,832	14,985
Contributions	6,860	5,092
Other income	12,009	25,298
Total revenue and support	1,125,785	959,196
EXPENSES		
Program services	693,772	720,547
Management and general	257,409	236,516
Total expenses	951,181	957,063
CHANGE IN NET ASSETS	174,604	2,133
NET DEFICIENCY, BEGINNING OF YEAR	(143,340)	(145,473)
NET ASSETS (DEFICENCY), END OF YEAR	$ 31,264	$ (143,340)

See independent auditors' report and accompanying notes to the financial statements.

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 418,377	$ 125,110	$ 543,487	$ 438,387	$ 122,679	$ 561,066
Employee benefits	72,003	23,733	95,736	86,406	21,321	107,727
Staff development	10,484	740	11,224	9,838	788	10,626
Professional services	7,842	51,041	58,883	5,108	48,143	53,251
Authorizer oversight fees	-	18,299	18,299	-	17,487	17,487
Food costs	718	-	718	10,551	-	10,551
Equipment	19,062	-	19,062	13,358	-	13,358
Classroom and office supplies	19,321	2,902	22,223	17,333	2,749	20,082
Occupancy	123,213	-	123,213	119,177	-	119,177
Depreciation	21,830	-	21,830	19,981	-	19,981
Insurance	-	26,360	26,360	-	18,624	18,624
Other	922	9,224	10,146	408	4,725	5,133
Total functional expenses	$ 693,772	$ 257,409	$ 951,181	$ 720,547	$ 236,516	$ 957,063

See independent auditors' report and accompanying notes to the financial statements.

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ 174,604	$ 2,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,830	19,981
Changes in certain assets and liabilities:		
Grants receivable	(13,645)	8,992
Prepaid expenses	(7,220)	(386)
Accounts payable and accrued expenses	(50,265)	(17,006)
Refundable advances	(11,347)	1,542
Net cash provided by operating activities	113,957	15,256
INVESTING ACTIVITIES		
Purchases of property and equipment	(13,123)	(7,698)
FINANCING ACTIVITIES		
Principal repayment of note payable	(12,000)	(9,000)
NET CHANGE IN CASH	88,834	(1,442)
CASH, BEGINNING OF YEAR	17,891	19,333
CASH, END OF YEAR	$ 106,725	$ 17,891
SUPPLEMENTAL INFORMATION		
Equipment financed through note payable	$ -	$ 29,000

See independent auditors' report and accompanying notes to the financial statements.

CAROUSEL FAMILY SERVICES, INC.
d/b/a VERITAS ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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 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.

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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

Property and Equipment – Purchases of 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Subsequent Events – The School evaluated subsequent events through November 11, 2016, 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.

NOTE 2 – LEASES

The School leases its school facility under an operating lease. The facility lease is renewable annually. The School also leased a copier under an operating lease that was terminated in 2015. Expense under operating leases for the years ended June 30, 2016 and 2015 was $80,547 and $68,274, respectively.

NOTE 3 – NOTE PAYABLE

A note payable is due to DeLage Landen Financial Services, Inc. as of June 30, 2016 and 2015. The note is non-interest bearing, is payable in monthly installments of $1,000 through February 2017, and is secured by the equipment financed through the note. The balance of the note at June 30, 2016 and 2015 was $8,000 and $20,000, respectively.

NOTE 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.June 30, 2016 At June 30, 2015 the School had refundable grant advances in excess of expenditures $11,347. No such refundable advances existed as of June 30, 2016.

NOTE 5 – RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits 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 determined annually by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2015 (the latest year reported), both TRF and PERF were more than 80% funded. A copy of the complete annual report for the year ended June 30, 2015 can be obtained at:

www.in.gov/inprs/files/2015INPRSCAFRBook.pdf

Total retirement plan expense was $54,076 and $58,287 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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 $18,299 and $17,487 for the years ended June 30, 2016 and 2015, respectively. The charter remains in effect until June 30, 2018, and is renewable thereafter by mutual consent.

NOTE 7 – 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, 2016 and 2015, 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.

NOTE 8 – FUNCTIONAL EXPENSE REPORTING

The costs of providing educational instruction have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management and general activities.

INDIANA SCHOOLS OF EXCELLENCE, INC.

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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Independent Auditors' 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, 2016 and 2015, and the related statements of activities and change in net assets (deficiency), functional expenses, 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.

Auditors' 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 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.

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, 2016 and 2015, and the changes in its net assets (deficiency), functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming the School will continue as a going concern. As discussed in Note 5 to the financial statements, the School has incurred losses from operations and has a deficiency in net assets as of June 30, 2016, which raises substantial doubt about its ability to continue as a going concern. Management's intentions with respect to this matter are also described in Note 5. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

DONOVAN

Donovan

Indianapolis, Indiana
December 13, 2016

INDIANA SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	$ 71,548	$ 138,959
Grants receivable	20,278	69,222
Other receivables	34,927	34,927
Prepaid expenses	5,380	6,854
Total current assets	132,133	249,962
PROPERTY AND EQUIPMENT		
Land	150,000	150,000
Buildings and improvements	2,476,851	2,476,851
Furniture and equipment	809,547	804,387
Less: accumulated depreciation	(1,568,822)	(1,309,484)
Property and equipment, net	1,867,576	2,121,754
TOTAL ASSETS	$ 1,999,709	$ 2,371,716
LIABILITIES AND NET DEFICIENCY		
CURRENT LIABILITIES		
Current portion of notes payable	$ 112,264	$ 107,084
Accounts payable and accrued expenses	413,252	378,508
Total current liabilities	525,516	485,592
LONG-TERM LIABILITIES		
Notes payable, net of current portion	1,832,495	1,948,177
Total liabilities	2,358,011	2,433,769
NET DEFICIENCY, UNRESTRICTED	(358,302)	(62,053)
TOTAL LIABILITIES AND NET DEFICIENCY	$ 1,999,709	$ 2,371,716

INDIANA SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIENCY)

For the Years Ended June 30, 2016 and 2015

	2016	2015
REVENUE AND SUPPORT		
State education support	$ 1,698,795	$ 1,989,852
Grant revenue	544,385	488,961
Student fees	13,229	16,437
Other income	1,562	13,206
Total revenue and support	2,257,971	2,508,456
EXPENSES		
Program services	2,067,449	2,241,646
Management and general	486,771	579,728
Total expenses	2,554,220	2,821,374
CHANGE IN NET ASSETS	(296,249)	(312,918)
NET ASSETS (DEFICIENCY), BEGINNING OF YEAR	(62,053)	250,865
NET DEFICIENCY, END OF YEAR	$ (358,302)	$ (62,053)

INDIANA SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Program Services	Management and General	Total	Program Services	Management and General	Total
FUNCTIONAL EXPENSES						
Salaries and wages	$ 1,159,391	$ 189,509	$ 1,348,900	$ 1,218,648	$ 205,631	$ 1,424,279
Employee benefits	308,322	76,573	384,895	314,503	78,315	392,818
Staff development and recruitment	7,582	1,110	8,692	25,614	670	26,284
Depreciation	259,338	-	259,338	269,225	-	269,225
Food service expense	87,055	-	87,055	109,623	-	109,623
Insurance	-	12,321	12,321	-	9,636	9,636
Interest	-	117,588	117,588	-	126,655	126,655
Equipment	-	-	-	10,966	210	11,176
Occupancy	42,014	-	42,014	47,594	-	47,594
Professional services	121,667	70,078	191,745	141,311	104,687	245,998
Repairs and maintenance	3,986	-	3,986	12,721	-	12,721
Classroom and office supplies	27,949	14,215	42,164	26,632	17,136	43,768
Information Technology	48,412	-	48,412	54,427	150	54,577
Travel	1,733	424	2,157	10,382	-	10,382
Other	-	4,953	4,953	-	36,638	36,638
Total functional expenses	$ 2,067,449	$ 486,771	$ 2,554,220	$ 2,241,646	$ 579,728	$ 2,821,374

See independent auditors' report and accompanying notes to the financial statements

INDIANA SCHOOLS OF EXCELLENCE, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ (296,249)	$ (312,918)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	259,338	269,225
Change in certain assets and liabilities:		
Grants receivable	48,944	(39,753)
Prepaid expenses	1,474	18,040
Accounts payable and accrued expenses	34,744	(9,700)
Net cash provided by (used in) operating activities	48,251	(75,106)
INVESTING ACTIVITIES		
Purchases of property and equipment	(5,160)	(24,881)
FINANCING ACTIVITIES		
Principal payments on notes payable	(110,502)	(129,505)
NET CHANGE IN CASH	(67,411)	(229,492)
CASH, BEGINNING OF YEAR	138,959	368,451
CASH, END OF YEAR	$ 71,548	$ 138,959
SUPPLEMENTAL INFORMATION		
Cash paid for interest	$ 117,588	$ 126,655

INDIANA SCHOOLS OF EXCELLENCE, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 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 (Xavier School of Excellence) established under Indiana Code 20-24 and is sponsored by Ball State University. The School serves students from Kindergarten through eighth grade.

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.

Other Receivables – Other receivables consist of a balance the School believes it is owed from its prior management company. Management is working through an attorney for collections. Management believes the School will collect on the receivable and that no reserve is deemed necessary as of June 30, 2016.

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 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 15 years
Furniture and equipment	5 to 7 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2016 and 2015, 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 2012 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 13, 2016, 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.

NOTE 2 - NOTES PAYABLE

Notes payable consists of the following at June 30, 2016:

	2016	2015
Note payable to United Bank, payable $6,774 monthly, including interest at 3.0% per annum, maturing April 2018, secured by all business assets	$ 361,430	$ 433,668
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	83,329	121,593
Note payable to IFF, interest only payable monthly at 6.5% per annum, maturing in May 2018, secured by real estate	1,500,000	1,500,000
	1,944,759	2,055,261
Less: current position	(112,264)	(107,084)
Long-term portion	$ 1,832,495	$ 1,948,177

NOTE 2 - NOTES PAYABLE, Continued

Principal maturities of notes payable are scheduled as follows for the years ending June 30:

2017	$	112,264
2018		1,832,495
	$	1,994,759

NOTE 3 - RETIREMENT PLAN

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits 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 determined annually by the INPRS Board. Under the plans, the School contributed 7.5% of compensation for eligible teaching faculty to TRF and 8.75% of compensation for other eligible employees to PERF through December 31, 2014, and 10.25% thereafter. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2015 (the latest year reported), both TRF and PERF were more than 80% funded.

Retirement plan expense was $83,782 and $90,997 for the years ended June 30, 2016 and 2015, respectively.

NOTE 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 payments received. Payments under this agreement for the years ended June 30, 2016 and 2015 were $35,539 and $36,948, respectively. The charter remains in effect until June 30, 2017, and is renewable thereafter by mutual consent.

NOTE 5 - GOING CONCERN CONSIDERATION

As reflected in the accompanying financial statements, the School incurred significant losses for the years ended June 30, 2016 and 2015, and had a deficiency in net assets of $358,302 as of June 30, 2016. The deficiency in net assets continues to grow in the 2016-2017 school year, however at a lower rate. These factors raise substantial doubt about the School's ability to continue as a going concern. The ability of the School to continue as a going concern is dependent upon the School obtaining new sources of funding or financing, controlling their operating expenses, and the continued support of their creditors and authorizing sponsor. During the 2016-2017 school year, the School has continued to work to reduce personnel, seek creative funding sources and monitor its cash needs. The accompanying financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

NOTE 6 - 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, 2016, the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at Notre Dame Federal Credit Union and occasionally exceed the FDIC insurance limit.

NOTE 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.

INDIANA SCHOOLS OF EXCELLENCE, INC.
OTHER REPORT
For the Year Ended June, 30 2016

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*.

SUPPLEMENTAL AUDIT REPORT

OF

INDIANA SCHOOLS OF EXCELLENCE, INC.

ST. JOSEPH COUNTY, INDIANA

July 1, 2015 to June 30, 2016

DONOVAN
CPAs | ADVISORS

TABLE OF CONTENTS

INDIANA SCHOOLS OF EXCELLENCE, INC.
ST. JOSEPH COUNTY, INDIANA
School Officials
July 1, 2015 to June 30, 2016

Office	Official	Term
President of Board of Directors	Albert Smith	07/01/15 – 06/30/16
School Leader	Tania Grimes	07/01/15 – 06/30/16
Business Manager	Bob Edmondson	07/01/15 – 06/30/16

The Board of Directors
Indiana Schools of Excellence, Inc.

We have audited the financial statements of Indiana Schools of Excellence, Inc. (the "School") as of and for the year ended June 30, 2016, and have issued our report thereon dated December 13, 2016. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

DONOVAN

Donovan

Indianapolis, Indiana
December 13, 2016

VENDOR DISBURSEMENTS

The School pays all bills based on statements or invoices received from the vendors. However, the School did not use the Accounts Payable Voucher (Form 523) during the audit period, as such a full account coding was not evident on every invoice selected for testing.

The Accounts Payable Voucher (Form 523) is designed to replace Claim Form 505. The form must be used in accordance with the following conditions: Charter schools 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 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 board having jurisdiction over the allowance of the payment of the claim. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 2)

INDIANA SCHOOLS OF EXCELLENCE, INC.
ST. JOSEPH COUNTY, INDIANA
Exit Conference
July 1, 2015 to June 30, 2016

The contents of this report were discussed on December 13, 2016 with Samantha Smith (School Leader), Bob Edmondson (Business Manager), and Jim Shafer (Accountant). The Official Response has been made a part of this report and may be found on page 5.

XAVIER SCHOOL OF EXCELLENCE

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www.xaviersoe.org

Direct Line (574) 231-6612
School Office (574) 231-6600
FAX (574) 231-6640

Robert L. Edmondson
Business Manager

December 13, 2016

SUPPLEMENTAL AUDIT REPORT

OFFICIAL RESPONSE AND PLANNED CORRECTIVE ACTION

VENDOR DISBURSEMENTS

Although a separate Form 523 has not been used, the 5 required approvals and certifications are recorded on each Invoice although not in a formalized manner. Going forward, we will use either a separate Form 523 or a stamp that will be placed on each invoice or document presented for payment that will organize the information keeping it consistent and in one location.

Respectfully,

XAVIER SCHOOL OF EXCELLENCE

Robert L. Edmondson

Robert L. Edmondson
Business Manager