



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 4, 2013

Charter School Board
Imagine Indiana Life Sciences Academy West, Inc.
4950 W. 34th Street
Indianapolis, IN 46224

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2010 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Imagine Indiana Life Sciences Academy West, Inc., as of June 30, 2011 and 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report. Page 22 contains the status of two prior audit findings.

In addition to the report presented herein, a Supplemental Audit Report for Imagine Indiana Life Sciences Academy West, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

The Financial Statements and Independent Auditors' Report and the Supplemental Audit Report are filed in our office as a matter of public record.

State Board of Accounts

IMAGINE INDIANA LIFE SCIENCES
ACADEMY WEST, INC.

Financial Statements and Federal Single Audit Report

June 30, 2012 and 2011

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Imagine Indiana Life Sciences Academy West, Inc.

We have audited the accompanying statements of financial position of **Imagine Indiana Life Sciences Academy West, Inc.** (the "School") as of June 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Imagine Indiana Life Sciences Academy West, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 fairly stated in all material respects in relation to the financial statements as a whole.

Abigail / Jane

Indianapolis, IN
November 13, 2012

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Statements of Financial Position

	June 30	
Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 552,765	411,060
Accounts receivable:		
State education support	2,062,297	1,644,803
Grants	32,281	-
Other	1,188	-
Prepaid expenses	5,428	37,562
Total current assets	2,653,959	2,093,425
Property and equipment:		
Furniture, fixtures, and equipment	777,253	652,773
Accumulated depreciation	(426,776)	(241,852)
Property and equipment, net	350,477	410,921
	\$ 3,004,436	2,504,346
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses:		
Due to Imagine Schools, Inc.	\$ 246,730	212,484
Other	211,430	206,519
Refundable advances	11,943	113,116
Total current liabilities	470,103	532,119
Deferred rent payable	292,508	252,338
Accrued interest on Common School Fund loans	209,995	118,081
Notes payable	2,386,657	2,120,268
Total liabilities	3,359,263	3,022,806
Unrestricted net assets (deficiency)	(354,827)	(518,460)
	\$ 3,004,436	2,504,346

See accompanying notes to financial statements.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Statements of Activities

Revenue, Gains and Support	Year Ended June 30	
	2012	2011
State education support	\$ 4,124,752	3,290,794
Grant revenue	1,570,744	1,216,024
Student fees	46,481	54,387
Rental income	11,505	30,900
Contributions	1,270	-
Other	5,425	9,168
Total revenue, gains and support	<u>5,760,177</u>	<u>4,601,273</u>
<u>Expenses</u>		
Program services:		
Educational instruction	3,288,837	2,935,595
Education support	1,169,316	1,031,996
Administrative	1,138,391	1,045,145
Total expenses	<u>5,596,544</u>	<u>5,012,736</u>
Increase (decrease) in net assets	163,633	(411,463)
Net assets (deficiency), beginning of year	<u>(518,460)</u>	<u>(106,997)</u>
Net assets (deficiency), end of year	<u>\$ (354,827)</u>	<u>(518,460)</u>

See accompanying notes to financial statements.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Statements of Cash Flows

	Year Ended June 30	
	2012	2011
<u>Operating Activities</u>		
Change in net assets	\$ 163,633	(411,463)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	184,924	159,497
Change in:		
Accounts receivable	(450,963)	(468,445)
Prepaid expenses	32,134	(26,600)
Accounts payable and accrued expenses	171,241	208,843
Refundable advances	(101,173)	(90,722)
Net cash used by operating activities	(204)	(628,890)
<u>Investing Activities</u>		
Purchase of property and equipment	(124,480)	(8,441)
Net cash used by investing activities	(124,480)	(8,441)
<u>Financing Activities</u>		
Proceeds from State of Indiana loans	266,389	584,317
Net cash provided by financing activities	266,389	584,317
Net increase (decrease) in cash	141,705	(53,014)
Cash and cash equivalents, beginning of year	411,060	464,074
Cash and cash equivalents, end of year	\$ 552,765	411,060
Supplementary information:		
Cash payments for interest expense	\$ -	-

See accompanying notes to financial statements.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

General

Imagine Indiana Life Sciences Academy West, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24-3-1 and is sponsored by Ball State University. The School commenced operations as of July 1, 2009. The School has entered into a service agreement with Imagine Schools, Inc., an organization incorporated in the State of Virginia, to provide curriculum, managerial, legal, and financial services.

Accounting Estimates

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

Revenue Recognition

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

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

Accounts Receivable

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Imagine Indiana Life Sciences Academy West, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2012 and 2011, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2011 and 2010 are open to audit for both federal and state purposes.

Property and Equipment

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

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives for furniture, fixtures and equipment range from three to twenty years.

Deferred Rent Payable

As a result of the annual escalation in rent obligation on the building lease (see note 4), the School has recorded a deferred credit to reflect the excess of rent expense over cash payments since the inception of the lease.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through November 13, 2012, 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 2011 that were previously reported have been reclassified for comparative purposes.

(2) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 and 2011 represent amounts due relating to the following sources:

	<u>2012</u>	<u>2011</u>
Tuition support	\$2,000,917	1,582,335
Special education grant	<u>61,380</u>	<u>62,468</u>
	<u>\$2,062,297</u>	<u>1,644,803</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school. The tuition is also indexed to the poverty data of the enrolled students. The payment schedule is likewise determined by state law, with tuition support payable in equal monthly installments in the calendar year following the start of school. Upon revocation or termination of the charter, the payment streams will cease and any unpaid amounts will be applied to the unpaid balance of notes from the Indiana Common School Fund (see Note 3).

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(3) Notes Payable

Notes payable at June 30, 2012 and 2011 represent four loans from the Indiana Common School Fund. The notes require semi-annual payments of principal and interest over a period of 20 years, with interest at 4% per annum. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. Repayment obligations under the notes will commence on July 1, 2013. The notes mature January 1, 2033 and are secured by unpaid tuition support distributions (see Note 2).

Principal maturities under the loan agreements are as follows:

<u>Year Ended June 30:</u>	
2013	\$ -
2014	119,333
2015	119,333
2016	119,333
2017	119,333
Thereafter	<u>1,909,325</u>
	<u>\$2,386,657</u>

(4) Leases

The School leases the school facility and certain items of equipment under operating leases. The school facility is leased from Schoolhouse Finance, LLC, an affiliate of Imagine Schools, Inc., which is under contract to operate and manage the School. The lease provides for monthly rental payments, which escalate at 2% annually, through June 30, 2019. The equipment lease provides for monthly lease payments through May 2017. Lease expense under operating leases for the years ended June 30, 2012 and 2011 was \$1,066,609 and \$1,039,016, respectively.

Future minimum lease obligations are as follows:

<u>Year Ended June 30:</u>	
2013	\$1,087,261
2014	1,108,448
2015	1,130,059
2016	1,152,102
2017	1,172,260
Thereafter	2,362,621

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(5) Commitments

The School has executed an operating agreement with Imagine Schools, Inc., whereby Imagine Schools, Inc. provides management, administrative, and educational programming services. This agreement remains in effect so long as the School maintains its charter, but may be terminated by either party with appropriate advance notice. Under terms of the agreement, the School has agreed to pay an amount equal to 12% of revenues, as defined, for such services. Aggregate payments to Imagine Schools, Inc. under this agreement were \$480,322 and \$379,817 for the years ended June 30, 2012 and 2011, respectively.

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the school has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. The charter remains in effect until June 30, 2014, and is renewable thereafter by mutual consent. Payments under this charter agreement were \$120,076 and \$94,954 for the years ended June 30, 2012 and 2011, respectively.

(6) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2012 and 2011, the School had refundable grant advances in excess of expenditures of \$11,943 and \$113,116, respectively.

(7) Retirement Plan

The School participates in a Section 401(k) retirement plan sponsored by Imagine Schools, Inc. for the benefit of its employees. Under the plan, the School will match 100% of employee contributions not to exceed 5% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2012 and 2011. Retirement plan expense for the years ended June 30, 2012 and 2011 was \$43,136 and \$36,593, respectively.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(8) Risks and Uncertainties

The School began operations in July 2009. For the years ended June 30, 2010 and 2011, the School incurred operating losses that produced an accumulated deficit of \$518,460. Management has taken action to increase enrollment and stabilize costs, which reduced the accumulated deficit as of June 30, 2012 to \$354,827. The School's management believes that it will be able to continue to reduce the deficit in the future. Until such time, adequate sources of lending have been obtained to enable the School to continue to operate.

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

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

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and/or service for the years ended June 30, 2012 and 2011:

	<u>2012</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>
Salaries and wages.....	\$1,196,512	208,552	203,302
Employee benefits	328,688	49,706	49,730
Professional services	156,099	8,991	59,210
Staff development and recruitment.....	-	73,989	-
Academic services	-	-	480,322
Authorizer oversight fee.....	-	-	120,076
Food costs.....	-	326,447	-
Transportation service	9,149	356,422	-
Property rental	-	-	23,437
Information technology	-	-	42,941
Classroom, kitchen and office supplies.....	195,404	17,491	12,618
Occupancy	1,218,061	122,106	-
Depreciation	184,924	-	-
Interest.....	-	-	91,914
Other	-	5,612	54,841
	<u>\$3,288,837</u>	<u>1,169,316</u>	<u>1,138,391</u>

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	<u>2011</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>
Salaries and wages.....	\$1,073,135	210,433	245,503
Employee benefits	251,694	45,175	48,885
Professional services	94,017	-	56,503
Staff development and recruitment.....	-	23,424	-
Academic services	-	-	379,817
Authorizer oversight fee.....	-	-	94,954
Food costs.....	-	272,348	-
Transportation service	-	347,917	-
Property rental	1,030,917	-	14,108
Information technology	-	-	53,590
Classroom, kitchen and office supplies.....	111,628	26,173	8,583
Occupancy	214,707	80,903	-
Depreciation	159,497	-	-
Interest.....	-	-	77,020
Other	-	25,623	66,182
	<u>\$2,935,595</u>	<u>1,031,996</u>	<u>1,045,145</u>

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Schedule of Expenditures of Federal Awards

Years Ended June 30, 2012 and 2011

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal	Pass-Through	Total Federal	
	CFDA Number	Entity Identifying Number	Awards Expended 2012	2011
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		94,824	71,689
National School Lunch Program	10.555		235,547	204,069
Total for cluster			<u>330,371</u>	<u>275,758</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-through Indiana Department of Education				
Title I, Part A Cluster				
Grants to Local Educational Agencies	84.010		496,812	189,690
ARRA--Grants to Local Educational Agencies	84.389		69,307	163,373
Total for cluster			<u>566,119</u>	<u>353,063</u>
Special Education Cluster				
Special Education - Grants to States	84.027	14212-554-PN01	54,186	-
ARRA--Special Education - Grants to States	84.391	14210-202-DN02	71,121	-
Total for cluster			<u>125,307</u>	<u>-</u>
Charter Schools Program	84.282		317,203	278,963
English Language Acquisition Grants	84.365		2,955	-
Improving Teacher Quality State Grants	84.367		27,727	40,123
Total for federal grantor agency			<u>1,039,311</u>	<u>672,149</u>
Total federal awards expended			<u>\$1,369,682</u>	<u>947,907</u>

See accompanying Independent Auditors' Report.
See accompanying notes to this schedule.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to the Schedule of Expenditures of Federal Awards

Years Ended June 30, 2012 and 2011

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Imagine Indiana Life Sciences Academy West, Inc. (the "School") under programs of the federal government for the years ended June 30, 2012 and 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

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

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

The Board of Directors
Imagine Indiana Life Sciences Academy West, Inc.

We have audited the financial statements of **Imagine Indiana Life Sciences Academy West, Inc.** (the "School") as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated November 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the School 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*.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stacy M. / Hancock

Indianapolis, IN
November 13, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Imagine Indiana Life Sciences Academy West, Inc.

Compliance

We have audited the compliance of **Imagine Indiana Life Sciences Academy West, Inc.** (the "School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the years ended June 30, 2012 and 2011. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2012 and 2011.

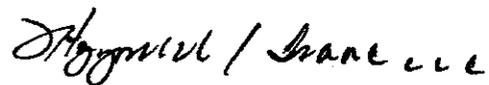
Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Indianapolis, IN
November 13, 2012

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Schedule of Findings and Questioned Costs

Years Ended June 30, 2012 and 2011

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Schedule of Findings and Questioned Costs

Years Ended June 30, 2012 and 2011

I. Summary of Auditors' Results, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	
10.559	
84.010	Title I Grants to Local Educational Agencies Cluster
84.389	
84.282	Charter Schools Program

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

Auditee qualified as low-risk auditee: No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Summary Schedule of Prior Audit Findings

Years Ended June 30, 2012 and 2011

FINDING NO. 2010-1 CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Pass-Through Entity: Indiana Department of Education
Federal Program: Charter Schools Program
CFDA Number: 84.282
Award Year: FY 2009-10

Condition

This finding was a significant deficiency stating that excessive cash balances were noted in 6 of the 12 months examined.

Recommendation

The auditor recommended the development and implementation of procedures and controls to ensure that the time between the receipt and disbursement of federal funds is kept to a minimum.

Current Status

The recommendation was adopted. The School no longer requests cash in advance of the disbursement of federal funds. No similar finding was noted in the 2012 and 2011 audits.

FINDING NO. 2010-2 CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Pass-Through Entity: Indiana Department of Education
Federal Program: Title I Grants to Local Educational Agencies
CFDA Number: 84.010
Award Year: FY 2009-10

The discussion for Finding No. 2010-1 also applies to this finding.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Other Reports

Years Ended June 30, 2012 and 2011

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

Supplemental Audit Report of Imagine Indiana Life Sciences Academy West, 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*.