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January 4, 2013

Charter School Board  
IFWCS Campus II, Inc. d/b/a Imagine Schools on Broadway  
2320 Broadway Street  
Fort Wayne, IN 46807

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2011 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 IFWCS Campus II, Inc. d/b/a Imagine Schools on Broadway, as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for IFWCS Campus II, Inc. d/b/a Imagine Schools on Broadway 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*

**IFWCS CAMPUS II, INC.**  
**d/b/a IMAGINE SCHOOLS ON BROADWAY**

*Financial Statements and Federal Single Audit Report*

*June 30, 2012 and 2011*

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
IFWCS Campus II, Inc.

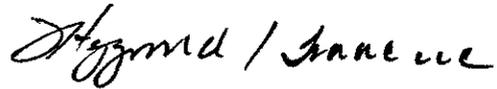
We have audited the accompanying statements of financial position of **IFWCS Campus II, Inc. d/b/a Imagine Schools on Broadway** (the "School") as of June 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility 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 IFWCS Campus II, 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.

A handwritten signature in black ink, appearing to read "S. J. [unclear] / [unclear]".

Indianapolis, IN  
November 13, 2012

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Statements of Financial Position

	June 30	
Assets	2012	2011
Current assets:		
Cash and cash equivalents	\$ 684,619	452,096
Accounts receivable:		
State education support	1,505,928	1,279,986
Grants	44,706	31,975
Other	-	39,646
Prepaid expenses	25,260	41,724
Total current assets	2,260,513	1,845,427
Property and equipment:		
Furniture, fixtures, and equipment	702,760	691,429
Accumulated depreciation	(576,980)	(421,851)
Property and equipment, net	125,780	269,578
	\$ 2,386,293	2,115,005
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses:		
Due to Imagine Schools, Inc.	\$ 182,649	127,011
Other	188,645	100,240
Refundable advances	2,787	36,719
Total current liabilities	374,081	263,970
Accrued interest on Common School Fund loans	200,682	146,784
Notes payable	1,347,447	1,347,447
Total liabilities	1,922,210	1,758,201
Unrestricted net assets	464,083	356,804
	\$ 2,386,293	2,115,005

See accompanying notes to financial statements.

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Statements of Activities

	Year Ended June 30	
	2012	2011
<u>Revenue, Gains and Support</u>		
State education support	\$ 3,011,980	2,560,844
Grant revenue	911,070	892,359
Student fees	28,411	26,553
Contributions	1,035	176
Other	5,146	2,458
Total revenue, gains and support	<u>3,957,642</u>	<u>3,482,390</u>
<u>Expenses</u>		
Program services:		
Educational instruction	2,312,409	2,262,042
Education support	696,490	593,675
Administrative	841,464	740,872
Total expenses	<u>3,850,363</u>	<u>3,596,589</u>
Increase (decrease) in net assets	107,279	(114,199)
Net assets, beginning of year	<u>356,804</u>	<u>471,003</u>
Net assets, end of year	<u>\$ 464,083</u>	<u>356,804</u>

See accompanying notes to financial statements.

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Statements of Cash Flows

	Year Ended June 30	
	2012	2011
<u>Operating Activities</u>		
Change in net assets	\$ 107,279	(114,199)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	155,129	174,276
Change in:		
Accounts receivable	(199,027)	(63,009)
Prepaid expenses	16,464	(22,155)
Accounts payable and accrued expenses	197,941	(50,343)
Refundable advances	(33,932)	28,225
Net cash provided (used) by operating activities	243,854	(47,205)
 <u>Investing Activities</u>		
Purchase of property and equipment	(11,331)	(3,850)
Net cash used by investing activities	(11,331)	(3,850)
 <u>Financing Activities</u>		
Principal portion of capital lease payments	-	(119,028)
Net cash used by financing activities	-	(119,028)
 Net increase (decrease) in cash	232,523	(170,083)
 Cash and cash equivalents, beginning of year	452,096	622,179
 Cash and cash equivalents, end of year	\$ 684,619	452,096
 Supplementary information:		
Cash payments for interest expense	\$ -	675

See accompanying notes to financial statements.

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

General

IFWCS Campus II, Inc. d/b/a Imagine Schools on Broadway (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 sponsored by Ball State University. The School commenced operations as of July 1, 2008. 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.

Reclassifications

Certain figures for 2011 that were previously reported have been reclassified for comparative purposes.

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Accounts Receivable

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

Taxes on Income

IFWCS Campus II, 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, 2010 and 2009 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 ten years.

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

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.

(2) Accounts Receivable

Accounts receivable for state education support represent amounts due relating to the following sources:

	<u>2012</u>	<u>2011</u>
Tuition support .....	\$1,423,856	1,163,408
Special education grant .....	42,526	37,485
Prime time grant .....	<u>39,546</u>	<u>79,093</u>
 Total.....	 <u>\$1,505,928</u>	 <u>1,279,986</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).

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Notes to Financial Statements

(3) Notes Payable

Notes payable at June 30, 2012 and 2011 represent two 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. Payment obligations are scheduled to commence again on July 1, 2013. The notes mature on 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 .....	67,372
2015 .....	67,372
2016 .....	67,372
2017 .....	67,372
Thereafter .....	<u>1,077,959</u>
	<u>\$1,347,447</u>

(4) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2012 and 2011, the School had refundable grant advances in excess of expenditures of \$2,787 and \$36,719, respectively.

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Notes to Financial Statements

(5) 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 \$29,188 and \$31,131, respectively.

(6) Leases

The School leased furniture, equipment, and textbooks from Imagine Schools, Inc. under a capital lease agreement, which was fully repaid in December 2010. Imagine Schools, Inc. is under contract to operate and manage the School.

The School leases the school facility and certain items of equipment under operating leases. The school facility is leased from Schoolhouse Finance, LLC, and affiliate of Imagine Schools, Inc., which is under contract to operate and manage the School. The school facility lease will continue so long as the operating agreement is in effect (see Note 7). The equipment lease provides for monthly lease payments through November 2016. Lease expense under operating leases for the years ended June 30, 2012 and 2011 was \$517,988 and \$525,117, respectively.

Future minimum lease obligations are as follows:

<u>Year Ended June 30:</u>	
2013 .....	\$525,852
2014 .....	14,172
2015 .....	14,172
2016 .....	14,172
2017 .....	5,905

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Notes to Financial Statements

(7) 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 \$341,738 and \$279,230 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, 2013, and is renewable thereafter by mutual consent. Payments under this charter agreement were \$83,770 and \$69,696 for the years ended June 30, 2012 and 2011, respectively.

(8) Risks and Uncertainties

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

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations could result in additional liability to be imposed 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. In addition, deposits maintained at Tower Bank generally exceed the FDIC insurance limit.

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

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.....	\$ 917,730	141,065	121,068
Employee benefits .....	279,591	32,876	28,354
Staff development and recruitment.....	-	10,889	-
Professional services .....	268,354	15,378	93,256
Academic services.....	-	-	341,738
Authorizer oversight fee.....	-	-	83,770
Food costs.....	-	230,733	-
Transportation service .....	2,182	155,146	-
Property rental .....	503,053	-	13,784
Information technology .....	-	-	20,392
Classroom, kitchen and office supplies.....	70,698	9,737	11,454
Occupancy .....	115,672	78,611	-
Depreciation .....	155,129	-	-
Interest.....	-	-	53,898
Other.....	-	<u>22,055</u>	<u>73,750</u>
	<u>\$2,312,409</u>	<u>696,490</u>	<u>841,464</u>

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	<u>2011</u>		
	<u>Educational</u> <u>Instruction</u>	<u>Education</u> <u>Support</u>	<u>Admini-</u> <u>strative</u>
Salaries and wages.....	\$897,147	148,959	131,266
Employee benefits .....	283,923	27,246	28,504
Staff development and recruitment.....	11,851	21,390	-
Professional services .....	143,276	9,020	90,220
Academic services.....	-	-	279,230
Authorizer oversight fee.....	-	-	69,696
Food costs.....	-	179,406	-
Transportation service .....	-	133,339	-
Property rental .....	496,680	-	28,437
Information technology .....	-	27,774	9,455
Classroom, kitchen and office supplies.....	102,538	19,079	10,961
Occupancy .....	152,351	24,148	-
Depreciation .....	174,276	-	-
Interest.....	-	-	54,573
Other.....	-	<u>3,314</u>	<u>38,530</u>
	<u>\$2,262,042</u>	<u>593,675</u>	<u>740,872</u>

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 62,075
National School Lunch Program	10.555		180,240
Summer Food Service Program for Children	10.559		2,822
Total for cluster			<u>245,137</u>
Fresh Fruit and Vegetable Program	10.582		19,059
Total for federal grantor agency			<u>264,196</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010		231,580
ARRA--Title I Grants to Local Educational Agencies,	84.389		3,380
Total for cluster			<u>234,960</u>
Special Education Cluster			
Special Education - Grants to States	84.027	14212-553-PN01	63,822
ARRA--Special Education - Grants to States	84.391	33310-202-SN01	55,911
Total for cluster			<u>119,733</u>
Charter Schools Program	84.282		119,408
English Speaking Acquisition Grants	84.365		4,594
Improving Teacher Quality State Grants	84.367		21,560
Total for federal grantor agency			<u>500,255</u>
Total federal awards expended			<u>\$ 764,451</u>

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

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of IFWCS Campus II, Inc. (the "School") under programs of the federal government for the year ended June 30, 2012. 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  
IFWCS Campus II, Inc.

We have audited the financial statements of **IFWCS Campus II, Inc. d/b /a Imagine Schools on Broadway** (the "School") as of and for the year ended June 30, 2012 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.

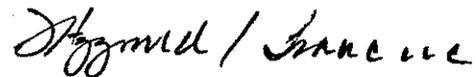
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

A handwritten signature in black ink, appearing to read "Hymel / 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  
IFWCS Campus II, Inc.

Compliance

We have audited the compliance of **IFWCS Campus II, Inc. d/b/a Imagine Schools on Broadway** (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 year ended June 30, 2012. 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 year ended June 30, 2012.

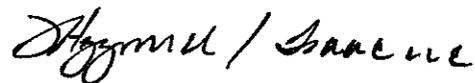
## Internal Control Over Compliance

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

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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	

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.

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Summary Schedule of Prior Audit Findings

June 30, 2012

No matters were reported in the previous audit of the period July 1, 2009 to June 30, 2011.

IFWCS CAMPUS II, INC.  
d/b/a  
IMAGINE SCHOOLS ON BROADWAY

Other Reports

Year Ended June 30, 2012

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

Supplemental Audit Report of IFWCS Campus II, Inc. d/b/a Imagine Schools on Broadway

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*.