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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](http://www.in.gov/sboa)

March 19, 2013

Charter School Board  
Beacon Academy  
620 Cumberland Avenue  
West Lafayette IN 47906

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, LLP, 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 Beacon Academy, as of June 30, 2012 and 2011, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Beacon Academy 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*

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# **Beacon Academy**

**Financial Statements  
With Supplemental Information  
June 30, 2012 and 2011**



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Beacon Academy, Inc.  
West Layette, Indiana:

We have audited the accompanying statements of financial position of Beacon Academy, Inc. (an Indiana non-profit organization) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Beacon Academy, Inc.'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; and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. 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 Beacon Academy, 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 February 4, 2013, on our consideration of Beacon Academy, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Sikich, LLP*

Sikich LLP

Indianapolis, Indiana  
February 4, 2013

**BEACON ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2012 AND 2011**

**ASSETS**

|                                   | <u>2012</u>       | <u>2011</u>       |
|-----------------------------------|-------------------|-------------------|
| <b>CURRENT ASSETS:</b>            |                   |                   |
| Cash                              | \$ 149,383        | \$ 130,290        |
| Grants receivable                 | 198,573           | 211,894           |
| Prepaid expenses                  | <u>14,745</u>     | <u>13,592</u>     |
| Total Current Assets              | <u>362,701</u>    | <u>355,776</u>    |
| <b>PROPERTY AND EQUIPMENT:</b>    |                   |                   |
| Equipment and furniture           | 220,838           | 222,630           |
| Computer hardware                 | 186,024           | 172,656           |
| Software                          | 36,122            | 36,122            |
| Less: accumulated depreciation    | <u>(336,917)</u>  | <u>(229,993)</u>  |
| Total Property and Equipment, net | <u>106,067</u>    | <u>201,415</u>    |
| <b>OTHER ASSETS:</b>              |                   |                   |
| Lease deposit                     | <u>1,550</u>      | <u>1,550</u>      |
|                                   | <u>\$ 470,318</u> | <u>\$ 558,741</u> |

See accompanying notes to financial statements.

**BEACON ACADEMY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
 (continued)  
 JUNE 30, 2012 AND 2011

**LIABILITIES AND NET ASSETS**

|                                       | <u>2012</u>       | <u>2011</u>       |
|---------------------------------------|-------------------|-------------------|
| <b>CURRENT LIABILITIES:</b>           |                   |                   |
| Accounts payable                      | \$ 3,809          | \$ 3,070          |
| Accrued payroll                       | <u>399</u>        | <u>-</u>          |
| Total Current Liabilities             | <u>4,208</u>      | <u>3,070</u>      |
| <br><b>LONG TERM LIABILITIES:</b>     |                   |                   |
| Accrued interest - Common School Loan | 14,678            | 6,413             |
| Common School Loan                    | <u>206,629</u>    | <u>206,629</u>    |
| Total Long Term Liabilities           | <u>221,307</u>    | <u>213,042</u>    |
| <br><b>NET ASSETS:</b>                |                   |                   |
| Unrestricted                          | 244,803           | 333,119           |
| Temporary restricted                  | <u>-</u>          | <u>9,510</u>      |
| Total Net Assets                      | <u>244,803</u>    | <u>342,629</u>    |
|                                       | <u>\$ 470,318</u> | <u>\$ 558,741</u> |

See accompanying notes to financial statements.

**BEACON ACADEMY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED JUNE 30, 2012**

|  | <u>Unrestricted</u>   | Temporarily<br><u>Restricted</u> | <u>Total</u>          |
|--|-----------------------|----------------------------------|-----------------------|
| <b>REVENUES AND SUPPORT:</b>   |                       |                                  |                       |
| Student fees   | \$ 3,922              | \$ -                             | \$ 3,922              |
| Contributions and donations  | 250                   | -                                | 250                   |
| Grant revenue  | 428,453               | -                                | 428,453               |
| Overpayments and reimbursements  | 225                   | -                                | 225                   |
| Interest income  | 336                   | -                                | 336                   |
| Other revenue  | 443                   | -                                | 443                   |
| Net assets released from restrictions by<br>satisfaction of temporary restrictions | <u>9,510</u>          | <u>(9,510)</u>                   | <u>-</u>              |
| <br>Total Revenues and Support   | <br><u>443,139</u>    | <br><u>(9,510)</u>               | <br><u>433,629</u>    |
| <br><b>PROGRAM AND SUPPORTING<br/>SERVICE EXPENSES:</b>                            |                       |                                  |                       |
| Program services   | 322,768               | -                                | 322,768               |
| Supporting services:<br>General and administrative                                 | <u>208,687</u>        | <u>-</u>                         | <u>208,687</u>        |
| <br>Total Expenses   | <br><u>531,455</u>    | <br><u>-</u>                     | <br><u>531,455</u>    |
| <br><b>CHANGE IN NET ASSETS</b>  | <br>(88,316)          | <br>(9,510)                      | <br>(97,826)          |
| <b>NET ASSETS</b> , beginning of year  | <u>333,119</u>        | <u>9,510</u>                     | <u>342,629</u>        |
| <br><b>NET ASSETS</b> , end of year  | <br><u>\$ 244,803</u> | <br><u>\$ -</u>                  | <br><u>\$ 244,803</u> |

See accompanying notes to the financial statements.

**BEACON ACADEMY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2011**

|   | <u>Unrestricted</u>   | <u>Temporarily<br/>Restricted</u> | <u>Total</u>          |
|---|-----------------------|-----------------------------------|-----------------------|
| <b>REVENUES AND SUPPORT:</b>  |                       |                                   |                       |
| Student fees  | \$ 4,306              | \$ -                              | \$ 4,306              |
| Contributions and donations   | 179                   | -                                 | 179                   |
| Grant revenue   | 459,361               | -                                 | 459,361               |
| Overpayments and reimbursements   | 4,609                 | -                                 | 4,609                 |
| Interest income   | 519                   | -                                 | 519                   |
| Net assets released from restrictions by<br>satisfaction of temporary restrictions                | <u>81,372</u>         | <u>(81,372)</u>                   | <u>-</u>              |
| <br>Total Revenues and Support  | <br><u>550,346</u>    | <br><u>(81,372)</u>               | <br><u>468,974</u>    |
| <b>PROGRAM AND SUPPORTING<br/>SERVICE EXPENSES:</b>   |                       |                                   |                       |
| Program services  | 383,479               | -                                 | 383,479               |
| Supporting services:<br>General and administrative  | <u>189,992</u>        | <u>-</u>                          | <u>189,992</u>        |
| <br>Total Expenses  | <br><u>573,471</u>    | <br><u>-</u>                      | <br><u>573,471</u>    |
| <br><b>CHANGE IN NET ASSETS</b>   | <br>(23,125)          | <br>(81,372)                      | <br>(104,497)         |
| <br><b>NET ASSETS, beginning of year</b>  |                       |                                   |                       |
| As previously reported  | <u>358,382</u>        | <u>90,882</u>                     | <u>449,264</u>        |
| <br>Prior period adjustment for understatement<br>of accrued interest from Common<br>School Loans | <br><u>(2,138)</u>    | <br><u>-</u>                      | <br><u>(2,138)</u>    |
| <br><b>NET ASSETS, beginning of year</b>  |                       |                                   |                       |
| As restated   | <u>356,244</u>        | <u>90,882</u>                     | <u>447,126</u>        |
| <br><b>NET ASSETS, end of year</b>  | <br><u>\$ 333,119</u> | <br><u>\$ 9,510</u>               | <br><u>\$ 342,629</u> |

See accompanying notes to the financial statements.

**BEACON ACADEMY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2012 AND 2011**

|   | <u>2012</u>       | <u>2011</u>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                   |                   |
| Change in net assets  | \$ (97,826)       | \$ (104,497)      |
| Adjustments to reconcile change in net assets to<br>net cash (used) provided by operating activities: |                   |                   |
| Depreciation  | 106,924           | 113,731           |
| (Increase) decrease in:   |                   |                   |
| Grants receivable   | 13,321            | (22,417)          |
| Prepaid expense   | (1,153)           | (8,727)           |
| Increase (decrease) in:   |                   |                   |
| Accounts payable  | 739               | (1,338)           |
| Accrued interest  | 8,265             | 6,413             |
| Accrued payroll   | 399               | (322)             |
|   | <u>30,669</u>     | <u>(17,157)</u>   |
| <b>NET CASH PROVIDED (USED)<br/>BY OPERATING ACTIVITIES</b>   | <u>30,669</u>     | <u>(17,157)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                   |                   |
| Proceeds on the sale of property and equipment  | 4,016             | -                 |
| Purchases of property and equipment   | (15,592)          | (57,652)          |
|   | <u>(11,576)</u>   | <u>(57,652)</u>   |
| <b>NET CASH USED BY INVESTING ACTIVITIES</b>  | <u>(11,576)</u>   | <u>(57,652)</u>   |
| <b>NET INCREASE (DECREASE) IN CASH</b>  | 19,093            | (74,809)          |
| <b>CASH AND CASH EQUIVALENTS - beginning of year</b>  | <u>130,290</u>    | <u>205,099</u>    |
| <b>CASH AND CASH EQUIVALENTS - end of year</b>  | <u>\$ 149,383</u> | <u>\$ 130,290</u> |

See accompanying notes to the financial statements.

**BEACON ACADEMY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 AND 2011

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations** - Beacon Academy, Inc. (the "Academy") was incorporated on February 10, 1997, under the laws of the State of Indiana and commenced operations in August 2008. The Academy is a West Lafayette charter Academy that provides middle Academy and high Academy students, considered educationally at-risk, with educational programs specifically target to their individual needs. The Academy's primary source of revenue and support are grants from the Indiana Department of Education.

**Basis of Accounting** - The financial statements of the Academy have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

**Basis of Presentation** - As required by Financial Statement Presentation Disclosure topic of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), the Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Net Assets** - The financial statements report amounts separately by class of net assets:

**Unrestricted net assets** - Unrestricted amounts are those currently available for use in the Academy's activities.

**Temporarily restricted net assets** - Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of June 30, 2012 and 2011, the Academy had \$0 and \$9,510 of temporarily restricted net assets, respectively.

**Permanently restricted net assets** - Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Academy. Generally, the donors of these assets permit the Academy to use all or part of the income earned on the related investments for general or specific purposes. As of June 30, 2012 and 2011, the Academy had no permanently restricted net assets.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Academy considers all investments purchased with a maturity of three months or less to be cash equivalents.

In the normal course of business, the Academy may maintain cash held at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.

**Grants Receivable** - Grants receivable represent the uncollected portion of funds from grants awarded to the Academy.

Grant receivables are reported net of an allowance for doubtful accounts. There were no allowances, as of June 30, 2012 and 2011, based on management's estimate of the amount of receivables that will actually be collected. Grant receivables are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

**Property and Equipment** - Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The Academy capitalizes additions of property and equipment in excess of \$1,000 cost, or fair value if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 5 years. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities.

Depreciation expense was \$106,924 and \$113,731 for the years ended June 30, 2012 and 2011, respectively.

**Impairment of Long-lived Assets** - The Academy evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed for the year ended June 30, 2012 and 2011.

**Contributed Materials and Services** - Contributed services are recognized as contributions in accordance with Contributions Disclosure Topic of FASB ASC, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Academy. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The Academy received no in-kind contributions during June 30, 2012 and 2011, respectively.

Volunteers provide program and fund-raising services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under Contributions Disclosure Topic of FASB ASC. These services include volunteering at events, picking up donations, and various clerical work.

**Revenue Recognition** - The Academy reports grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. If a restriction is fulfilled in the same time period in which the grant is received, the Academy reports the support as unrestricted.

**Functional Expense Allocation** - The costs of providing the various programs and other activities have been summarized in the statement of activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. The allocation is based on a formula contained within the grant documents.

Costs are allocated to the programs and supporting services. Management periodically evaluates its allocation method and revises it when necessary. Management and general expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the Academy.

**Estimates** - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could vary from the estimates that were used.

**Advertising** - The Academy expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2012 and 2011 was \$200 and \$0, respectively.

**Income Taxes** - The Academy is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Academy is not considered to be a private foundation. Accordingly, no provision for income taxes has been reflected in the Academy's financial statements.

The Academy has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. In the normal course of business, the Academy is subject to examination by taxing authorities. The Academy's tax returns for years subsequent to fiscal 2008 are open, by statute, for review by authorities. However, at present there are no ongoing income tax audits or unresolved disputes with the various tax authorities that the Academy currently files or has filed.

**Concentration of Credit Risk** - Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of temporary cash investments and grants receivable.

The Academy places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. There were no funds in excess of FDIC insured limits at June 30, 2012 and 2011, respectively.

Concentrations of credit risk with respect to grants receivable are limited due to the Academy's ability to accomplish the terms of the grants. Credit losses, if any, have been provided in the financial statements and have been within management's expectations.

Operating Funds from the Indiana Department of Education amounted to 90% and 77% of the Academy's support and revenue in June 30, 2012 and 2011, respectively. A state funding formula is used to determine the amount of revenue a charter Academy receives. The formula is based on the number of students enrolled in the Academy during the year.

## **NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES**

**Education** - The Academy provides a dynamic approach to learning, doing, and thinking. All of components of the design are based on three foundational principles: first, that learning must be based on the interests and goals of each student; second, that a student's curriculum must be relevant to people and places that exist in the real world; and finally, that a student's abilities must be authentically measured by the quality of her or his work.

## **NOTE 3 - OPERATING LEASES**

During 2012, the Academy entered into a one year lease with the Temple Israel, Inc. for educational facilities located at 620 Cumberland Ave, West Lafayette, Indiana. The lease, which expires on July 31, 2012, requires a monthly payment of \$2,700. During the years ended June 30, 2012 and 2011, \$27,500 and \$24,812 was expensed for educational facilities rent, respectively.

The Academy has no future minimum payments as of June 30, 2012.

## **NOTE 4 - PENSION PLAN**

### 403(b) Plan

The Academy'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 was a 7.5% employer match to the Plan during years ended June 30, 2012 and 2011.

### Indiana Public Retirement System

#### ***Plan Description***

The Academy elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011. The Academy contributes to INPRS, an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. INPRS is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. INPRS is a qualified plan under Internal Revenue Code Section 401(a) and is tax exempt. INPRS is a contributory defined benefit plan that covers substantially all Academy employees. INPRS retirement benefits vest after 10 years of service. Senate Bill 74 enabled INPRS participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the pension benefit at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of INPRS-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement.

Participants who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

Participants have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol, Suite 001, Indianapolis, Indiana 46204.

***Funding Policy and Annual Pension Cost***

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

The Academy contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The Academy currently receives partial funding, through the Academy funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

**NOTE 5 - LONG-TERM DEBT ACTIVITY**

Long-term debt activities included the following at June 30, 2012 and 2011:

|  | <u>2012</u>       | <u>2011</u>       |
|--|-------------------|-------------------|
| Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on January 1, 2023 (a) | \$ 81,164         | \$ 81,164         |
| Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on January 1, 2023 (a) | 25,713            | 25,713            |
| Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on January 1, 2023 (a) | <u>99,752</u>     | <u>99,752</u>     |
| Total Long-term Debt   | <u>\$ 206,629</u> | <u>\$ 206,629</u> |

(a) The State of Indiana advanced funds from the Common School Fund to assist the Academy during its initial years of operations. Under the terms of the agreements with the State of Indiana, the Academy agreed to repay these loans through deductions from the Academy's share of State Tuition Support. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. Payments will commence on July 1, 2013.

At June 30, 2012, the debt service requirements of loans payable were as follows:

| <u>Year Ending</u>           | <u>Total<br/>Principal</u> | <u>Total<br/>Interest</u> | <u>Total<br/>Debt<br/>Service</u> |
|------------------------------|----------------------------|---------------------------|-----------------------------------|
| June 30, 2014                | 20,663                     | 8,059                     | 28,722                            |
| June 30, 2015                | 20,663                     | 7,232                     | 27,895                            |
| June 30, 2016                | 20,663                     | 6,406                     | 27,069                            |
| June 30, 2017                | 20,663                     | 5,579                     | 26,242                            |
| June 30, 2018 and thereafter | <u>123,977</u>             | <u>16,117</u>             | <u>140,094</u>                    |
|                              | <u>\$ 206,629</u>          | <u>\$ 43,393</u>          | <u>\$ 250,022</u>                 |

The Academy did not pay any interest during the years ended June 30, 2012 and 2011.

#### **NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2012 and 2011 are available for the following purposes:

|                              | <u>2012</u> | <u>2011</u>     |
|------------------------------|-------------|-----------------|
| Federal Implementation Grant | \$ -        | \$ 9,510        |
|                              | <u>\$ -</u> | <u>\$ 9,510</u> |

During June 30, 2012 and 2011, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

|                              | <u>2012</u>       | <u>2011</u>        |
|------------------------------|-------------------|--------------------|
| Federal Implementation Grant | \$ (9,510)        | \$ (81,372)        |
|                              | <u>\$ (9,510)</u> | <u>\$ (81,372)</u> |

#### **NOTE 7 - PRIOR PERIOD ADJUSTMENT**

During 2011, the School discovered accrued interest expense for Common School Loans from the State of Indiana was understated by \$2,138 in the prior years. As a result, a prior period adjustment has been made to increase the accrued interest - Common School Loan account balance and decrease the balance in unrestricted net assets.

**NOTE 8 - SUBSEQUENT EVENT**

In preparing these financial statements, the Academy has evaluated subsequent events and transactions for potential recognition or disclosure through February 4, 2013, the date the financial statements were available to be issued.

**BEACON ACADEMY, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

|                                 | Program Service Expenses |            |                        | Supporting Services    |             | Total Expenses |
|---------------------------------|--------------------------|------------|------------------------|------------------------|-------------|----------------|
|                                 | Grants                   | Academics  | Total Program Services | Management and General | Fundraising |                |
| Salaries and benefits           | \$ 12,675                | \$ 169,036 | \$ 181,711             | \$ 113,942             | \$ -        | \$ 295,653     |
| Professional Services           | 45                       | 30         | 75                     | 13,203                 | -           | 13,278         |
| Information Technology          | -                        | -          | -                      | 2,552                  | -           | 2,552          |
| Accounting/Payroll Services     | -                        | -          | -                      | 26,640                 | -           | 26,640         |
| Materials/supplies/fees/postage | -                        | 5,350      | 5,350                  | 13,471                 | -           | 18,821         |
| Sales/Marketing                 | -                        | -          | -                      | 200                    | -           | 200            |
| Nutritional support             | -                        | -          | -                      | 864                    | -           | 864            |
| Travel and entertainment        | -                        | -          | -                      | 8,477                  | -           | 8,477          |
| Rent - Building & Equipment     | 16,240                   | 8,713      | 24,953                 | 2,872                  | -           | 27,825         |
| Depreciation and amortization   | -                        | 96,232     | 96,232                 | 10,692                 | -           | 106,924        |
| Small equipment purchases       | 7,008                    | -          | 7,008                  | 1,421                  | -           | 8,429          |
| Interest expense                | -                        | 7,439      | 7,439                  | 826                    | -           | 8,265          |
| Insurance                       | -                        | -          | -                      | 11,131                 | -           | 11,131         |
| Building maintenance            | -                        | -          | -                      | 2,396                  | -           | 2,396          |
|                                 |                          |            |                        |                        |             |                |
| Total direct program expenses   | \$ 35,968                | \$ 286,800 | \$ 322,768             | \$ 208,687             | \$ -        | \$ 531,455     |

See accompanying notes to the financial statements.

**BEACON ACADEMY, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

|                                      | <u>Program Service Expenses</u> |                   |                               | <u>Supporting Services</u>    |                    | <u>Total Expenses</u> |
|--------------------------------------|---------------------------------|-------------------|-------------------------------|-------------------------------|--------------------|-----------------------|
|                                      | <u>Grants</u>                   | <u>Academics</u>  | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> |                       |
| Salaries and benefits                | \$ 8,754                        | \$ 211,708        | \$ 220,462                    | \$ 111,611                    | \$ -               | \$ 332,073            |
| Professional Services                | 21,988                          | -                 | 21,988                        | 3,633                         | -                  | 25,621                |
| Information Technology               | 1,148                           | -                 | 1,148                         | 2,401                         | -                  | 3,549                 |
| Accounting/Payroll Services          | 64                              | -                 | 64                            | 29,554                        | -                  | 29,618                |
| Materials/supplies/fees/postage      | 3,175                           | 3,681             | 6,856                         | 7,032                         | -                  | 13,888                |
| Nutritional support                  | -                               | -                 | -                             | 978                           | -                  | 978                   |
| Travel and entertainment             | -                               | -                 | -                             | 3,327                         | -                  | 3,327                 |
| Rent - Building & Equipment          | 14,700                          | 7,631             | 22,331                        | 2,481                         | -                  | 24,812                |
| Depreciation and amortization        | -                               | 102,358           | 102,358                       | 11,373                        | -                  | 113,731               |
| Small equipment purchases            | 4,589                           | -                 | 4,589                         | 5,797                         | -                  | 10,386                |
| Insurance                            | -                               | -                 | -                             | 10,494                        | -                  | 10,494                |
| Interest expense                     | -                               | 3,548             | 3,548                         | 727                           | -                  | 4,275                 |
| Building maintenance                 | 135                             | -                 | 135                           | 584                           | -                  | 719                   |
| <b>Total direct program expenses</b> | <b>\$ 54,553</b>                | <b>\$ 328,926</b> | <b>\$ 383,479</b>             | <b>\$ 189,992</b>             | <b>\$ -</b>        | <b>\$ 573,471</b>     |

See accompanying notes to the financial statements.

**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**

To the Board of Directors  
of Beacon Academy, Inc.  
Indianapolis, Indiana:

We have audited the financial statements of Beacon Academy, Inc. as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated February 4, 2013. 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.

**Internal Control over Financial Reporting**

Management of Beacon Academy, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Beacon Academy, Inc.'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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 Beacon Academy, Inc.'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 disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Beacon Academy, Inc.'s Board of Directors, management, others within the Academy, 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.

Handwritten signature in black ink that reads "Sikich, LLP". The signature is written in a cursive, flowing style.

Sikich LLP

Indianapolis, Indiana  
February 4, 2013

**BEACON ACADEMY, INC.**  
OTHER REPORT  
FOR THE YEAR ENDED JUNE 30, 2012 AND 2011

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

Supplemental Audit Report of Beacon Academy, Inc.