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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

November 22, 2013

Charter School Board
Central Indiana Military Academy, Inc.
d/b/a Anderson Preparatory Academy
101 W. 29th Street
Anderson, IN 46016

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. 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 Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy, as of June 30, 2013, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

State Board of Accounts

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

Financial Statements and Federal Single Audit Report

June 30, 2013 and 2012

Fitzgerald | Isaac LLC
Certified Public Accountants

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

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Central Indiana Military Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy**, which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Indiana Military Academy, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2013, on our consideration of Central Indiana Military Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Indiana Military Academy, Inc.'s internal control over financial reporting and compliance.

Agynnd / Inacue

Indianapolis, IN
October 15, 2013

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

Statements of Financial Position

	June 30	
Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 943,065	542,312
Accounts receivable:		
State education support	-	2,725,017
Grants	37,491	230,422
Prepaid expenses	61,564	52,668
Total current assets	1,042,120	3,550,419
Property and equipment:		
Land	320,000	320,000
Buildings and improvements	2,588,095	2,476,675
Furniture and equipment	1,184,671	916,764
Textbooks	134,325	114,885
Vehicles	26,950	26,950
	4,254,041	3,855,274
Less: accumulated depreciation	(1,135,337)	(729,998)
Property and equipment, net	3,118,704	3,125,276
	\$ 4,160,824	6,675,695
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 471,886	426,692
Line of credit	-	72,261
Current portion of long-term debt	95,705	90,147
Current portion of capital lease obligations	152,589	113,947
Total current liabilities	720,180	703,047
Accrued interest on Common School Fund loans	-	175,415
Long-term debt	1,874,142	4,835,409
Capital lease obligations	299,780	325,730
Total liabilities	2,894,102	6,039,601
Unrestricted net assets	1,266,722	636,094
	\$ 4,160,824	6,675,695

See accompanying notes to financial statements.

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

Statements of Activities

	<u>Year Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
<u>Revenue, Gains and Support</u>		
State education support	\$ 5,905,970	5,450,161
Grant revenue	771,462	760,320
Student fees	212,033	198,076
Contributions/fundraising	20,853	9,108
Other income	275,741	147,001
Total revenue, gains, and support	<u>7,186,059</u>	<u>6,564,666</u>
 <u>Expenses</u>		
Program services:		
Educational instruction	4,303,054	3,970,905
Education support	1,281,631	1,140,777
Administrative	1,167,890	1,267,247
Total expenses	<u>6,752,575</u>	<u>6,378,929</u>
 Increase in net assets before non-operating revenue	433,484	185,737
 <u>Non-Operating Revenue</u>		
Gain due to changes in legislative funding	<u>197,144</u>	<u>-</u>
 Increase in net assets	630,628	185,737
 Net assets, beginning of year	<u>636,094</u>	<u>450,357</u>
 Net assets, end of year	<u>\$ 1,266,722</u>	<u>636,094</u>

See accompanying notes to financial statements.

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

Statements of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
<u>Operating Activities</u>		
Change in net assets	\$ 630,628	185,737
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	405,339	360,813
Gain due to changes in legislative funding	(197,144)	-
Change in:		
Accounts receivable	(36,715)	(1,624,024)
Prepaid expenses	(8,896)	(30,076)
Accounts payable and accrued expenses	159,671	303,260
Refundable advances	-	(19,987)
Net cash provided (used) by operating activities	<u>952,883</u>	<u>(824,277)</u>
<u>Investing Activities</u>		
Purchases of property and equipment	(240,319)	(955,329)
Net cash used by investing activities	<u>(240,319)</u>	<u>(955,329)</u>
<u>Financing Activities</u>		
Net repayments on line of credit	(72,261)	(12,998)
Proceeds from Common School Fund loan	-	1,469,107
Proceeds from bank borrowings	-	532,000
Proceeds from Illinois Facility Fund loan	-	240,000
Principal reduction of capital lease obligation	(145,756)	(95,143)
Principal repayment of long-term debt	(93,794)	(151,003)
Net cash provided (used) by financing activities	<u>(311,811)</u>	<u>1,981,963</u>
Net increase in cash	400,753	202,357
Cash and cash equivalents, beginning of year	<u>542,312</u>	<u>339,955</u>
Cash and cash equivalents, end of year	<u>\$ 943,065</u>	<u>542,312</u>
Supplemental disclosures:		
Equipment obtained under capital leases	\$ 158,448	\$ 429,893
Cash payments for interest expense	165,820	195,233

See accompanying notes to financial statements.

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

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

General

Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The School commenced operations as of July 1, 2008.

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 paid in equal monthly installments in January through December following the start of the academic school year. Revenue is recognized in the year in which the educational services are rendered. See Note 2 regarding legislative changes affecting revenue recognition.

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

Accounts Receivable

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

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Central Indiana Military Academy, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2013 and 2012, 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 2012, 2011, and 2010 are open to audit for both federal and state purposes.

Property and Equipment

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

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

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

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through October 15, 2013, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

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

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

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

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

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

Notes to Financial Statements

(3) Accounts Receivable

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

Tuition support	\$2,513,473
Special education grant	166,349
Prime Time grant.....	<u>45,195</u>
	<u>\$2,725,017</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 and other factors. The payment schedule is likewise determined by state law. In 2013 and 2012, tuition support was payable in equal monthly installments in the calendar year following the start of the academic school year. Effective July 1, 2013, tuition support will be paid in monthly installments that coincide with the School's fiscal year (see Note 2).

(4) Revolving Line of Credit

In 2012, the School had a \$100,000 revolving line of credit to provide short-term financing, which was secured by all business assets. Bank advances on the credit line carried an interest rate of 1.5% above the prime rate. The loan matured in 2013 and was repaid in full.

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

Notes to Financial Statements

(5) Long-Term Debt

Long-term debt at June 30, 2013 and 2012 was comprised of:

	<u>2013</u>	<u>2012</u>
Mortgage loan payable to Main Source Bank, payable in monthly installments of \$4,350 including interest at 5.5% per annum (adjustable every five years) through July 2026, secured by first and second mortgages on School facilities and all business assets.....	\$ 486,137	510,737
Mortgage loan payable to Main Source Bank, payable in monthly installments of \$3,632 including interest at 6.75% per annum (adjustable in March 2014) through March 2029, secured by a first mortgage on School facilities.....	419,219	433,578
Mortgage loan payable to Illinois Facility Fund, payable in monthly installments of \$8,017 including interest at 6% per annum (adjustable every five years) through May 2025, secured by a first mortgage on School facilities and all property contained therein	844,553	888,634
Mortgage loan payable to Illinois Facility Fund, payable in monthly installments of \$2,025 including interest at 6% per annum (adjustable every five years) through July 2026, secured by a first mortgage on School facilities and all property contained therein	219,938	230,692
Notes payable to the Indiana Common School Fund	-	2,861,915
	1,969,847	4,925,556
Less: current maturities	<u>(95,705)</u>	<u>(90,147)</u>
	<u>\$1,874,142</u>	<u>4,835,409</u>

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

Notes to Financial Statements

(5) Long-Term Debt, Continued

The notes payable to the Indiana Common School Fund were comprised of multiple notes, each of which required semi-annual payments of principal and interest over a period of 20 years, with interest at 4% per annum. In 2013 and 2012, the loans were under a moratorium on loan payments, but interest continued to accrue. In 2013, the outstanding loans and all accrued interest were repaid with funding appropriated from the State of Indiana general fund (see Note 2).

Principal maturities of long-term debt are as follows:

<u>Year Ended June 30:</u>	
2014	\$ 95,705
2015	105,616
2016	112,059
2017	119,047
2018	126,395
Thereafter	<u>1,411,025</u>
	<u>\$1,969,847</u>

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

Notes to Financial Statements

(6) Leases

The School leases various items of equipment under capital leases. At June 30, 2013, the cost and accumulated depreciation relating to these assets were \$750,880 and \$475,305, respectively (\$592,431 and \$235,820 at June 30, 2012).

Following is a schedule of future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2013:

<u>Year Ended June 30:</u>	
2014	\$ 177,260
2015	151,027
2016	151,027
2017	15,312
2018	<u>2,869</u>
	497,495
Less: amount representing interest	<u>(45,126)</u>
	<u>\$452,369</u>

The School also leases various items of equipment under operating leases. Total expense under these operating leases for 2013 and 2012 was \$80,868 and \$80,027, respectively. Minimum future rental payments as of June 30, 2013 for all operating leases with initial, noncancellable lease terms in excess of one year are as follows:

<u>Year ending June 30:</u>	
2014	\$22,099
2015	6,454
2016	2,433
2017	949

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

Notes to Financial Statements

(7) Retirement Plans

Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. For the years ended June 30, 2013 and 2012, the School contributed 7.5% of compensation for all participating personnel to TRF. All other employees are eligible to participate in a 403(b) plan offered through the Indiana Public Charter School Association. Under this plan, the School contributes 6% of compensation as defined. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2013 or 2012. These plans cover substantially all full-time employees. Retirement plan expense was \$188,009 and \$185,501 for the years ended June 30, 2013 and 2012, respectively.

(8) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$81,136 and \$150,182 for the years ended June 30, 2013 and 2012, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

The School executed a service contract for network and technology services. Under this contract, the School has committed to make annual payments of \$75,768 through April 1, 2015 with the option to purchase additional services for which the School is billed as services are provided. The School has the option to terminate the agreement with 30 days notice. Payments under this agreement were \$74,210 and \$71,777 for the years ended June 30, 2013 and 2012, respectively.

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

Notes to Financial Statements

(9) Risks and Uncertainties

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2013, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at Main Source Bank and Old National Bank frequently exceed the FDIC insurance limit.

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

Notes to Financial Statements

(10) Functional Expense Reporting

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

	<u>2013</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>
Salaries and wages	\$2,743,294	285,023	528,973
Employee benefits.....	661,723	60,181	117,322
Professional services.....	165,633	128,332	108,301
Staff development	16,295	-	9,730
Authorizer oversight fee	-	-	81,136
Transportation	391	-	-
Property rental and maintenance	114,852	167,583	-
Classroom, kitchen and office supplies	71,205	248,985	38,162
Occupancy	-	385,879	-
Depreciation.....	405,339	-	-
Interest	122,733	-	157,564
Insurance	-	-	88,110
Other	<u>1,589</u>	<u>5,648</u>	<u>38,592</u>
	<u>\$4,303,054</u>	<u>1,281,631</u>	<u>1,167,890</u>

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

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	<u>2012</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>
Salaries and wages	\$2,414,428	227,426	519,003
Employee benefits.....	622,791	34,114	130,408
Professional services.....	210,609	127,519	122,329
Staff development.....	14,161	-	15,101
Authorizer oversight fee	-	-	150,812
Transportation.....	6,699	-	-
Property rental and maintenance	155,649	139,078	-
Classroom, kitchen and office supplies	56,863	205,176	49,726
Occupancy	-	401,169	-
Depreciation.....	360,813	-	-
Interest	128,892	-	160,693
Insurance.....	-	-	78,607
Other	-	6,295	40,568
	<u>\$3,970,905</u>	<u>1,140,777</u>	<u>1,267,247</u>

CENTRAL INDIANA MILITARY ACADEMY, INC.

d/b/a

ANDERSON PREPARATORY ACADEMY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

<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 National School Lunch Program	10.555		<u>\$ 72,742</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	12-9790 13-9790	16,436 280,912
Special Education Cluster Special Education - Grants to States	84.027	14213-521-PN01	141,621
Improving Teacher Quality State Grants	84.367		65,867
Education Jobs Fund	84.410		1,395
Total for federal grantor agency			<u>506,231</u>
Total federal awards expended			<u>\$ 578,973</u>

See accompanying Independent Auditor's Report.
See accompanying notes to this schedule.

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

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy ("the School") under programs of the federal government for the year ended June 30, 2013. 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.

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

The Board of Directors
Central Indiana Military Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy** (the "School"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2013.

Internal Control Over Financial Reporting

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

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

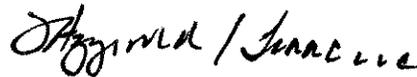
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "A. J. ... / ...".

Indianapolis, IN
October 15, 2013

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

The Board of Directors
Central Indiana Military Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy's** (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2013. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Central Indiana Military Academy, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

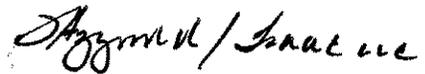
Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script, appearing to read "A. J. ... / Isaac ...".

Indianapolis, IN
October 15, 2013

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

I. Summary of Auditor's Results

Financial Statements

Type of auditor's 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 auditor's report issued on compliance for major program:	Unqualified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

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

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

I. Summary of Auditor's Results, Continued

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee:	No
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II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.

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

Exit Conference

Year Ended June 30, 2013

The results of the audit and the contents of this report were discussed on October 29, 2013, with David Ashby (Board Member), Robert Guillaume (Commandant and CEO), and Natalie Hall (Chief Financial Officer).