



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B43226

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)

February 14, 2014

Charter School Board  
East Chicago Lighthouse Charter School  
3916 Pulaski Street  
East Chicago, IN 46312

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 East Chicago Lighthouse Charter School, 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.

In addition to the report presented herein, a Supplemental Audit Report for East Chicago Lighthouse Charter School 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*

**EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL**

*Financial Statements and Federal Single Audit Report*

*June 30, 2013 and 2012*

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-15
Supplementary Information:	
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
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 <i>Government Auditing Standards</i>	18-19
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	20-22
Schedule of Findings and Questioned Costs	23-24
Other Reports	25

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Lighthouse Academies of Indiana, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **East Chicago Lighthouse Charter School** (an operating component of Lighthouse Academies of Indiana, Inc., a not-for-profit corporation), which comprise of 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 East Chicago Lighthouse Charter School 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 December 9, 2013 on our consideration of East Chicago Lighthouse Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Chicago Lighthouse Charter School's internal control over financial reporting and compliance.

*Raymond / Isaac*

Indianapolis, IN  
December 9, 2013

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Statements of Financial Position

	June 30	
Assets	2013	2012
Current assets:		
Cash and cash equivalents	\$ 244,138	326,754
Accounts receivable:		
State education support	-	1,890,518
Grants	95,869	42,479
Other	88,733	704
Prepaid expenses	21,685	101,280
Total current assets	450,425	2,361,735
Security deposit	8,000	8,000
Property and equipment:		
Leasehold improvements	628,933	628,933
Furniture and equipment	157,710	157,710
Less: accumulated depreciation	(345,876)	(251,439)
Property and equipment, net	440,767	535,204
	\$ 899,192	2,904,939
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 256,509	323,606
Refundable advances	20,417	18,786
Total current liabilities	276,926	342,392
Deferred rent payable	181,603	192,256
Accrued interest on Common School Fund loans	-	209,580
Long-term debt	250,000	2,119,187
Total liabilities	708,529	2,863,415
Unrestricted net assets	190,663	41,524
	\$ 899,192	2,904,939

See accompanying notes to financial statements.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Statements of Activities

	Year Ended June 30	
	2013	2012
<u>Revenue, Gains and Support</u>		
State education support	\$ 4,316,585	3,781,184
Grant revenue	1,390,035	1,192,720
Student fees	43,392	28,841
Fundraising income	66,548	42,668
Other	73	8,988
Total revenue, gains and support	<u>5,816,633</u>	<u>5,054,401</u>
 <u>Expenses</u>		
Program services:		
Educational instruction	3,441,896	3,313,136
Education support	1,064,608	983,912
Administrative	1,098,408	1,117,313
Fundraising	38,979	24,222
Total expenses	<u>5,643,891</u>	<u>5,438,583</u>
 Change in net assets before non-operating expense	172,742	(384,182)
 <u>Non-Operating Expense</u>		
Loss due to changes in legislative funding	<u>(23,603)</u>	<u>-</u>
 Increase (decrease) in net assets	149,139	(384,182)
 Net assets, beginning of year	<u>41,524</u>	<u>425,706</u>
 Net assets, end of year	<u>\$ 190,663</u>	<u>41,524</u>

See accompanying notes to financial statements.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Statements of Cash Flows

	Year Ended June 30	
Operating Activities	2013	2012
Change in net assets	\$ 149,139	(384,182)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Loss due to changes in legislative funding	23,603	-
Depreciation	94,437	81,683
Change in:		
Accounts receivable	(409,194)	(295,086)
Prepaid expenses	79,595	(80,763)
Accounts payable and accrued expenses	(11,174)	110,021
Refundable advances	1,631	4,665
Deferred rent payable	(10,653)	(7,052)
Net cash used by operating activities	(82,616)	(570,714)
<u>Investing Activities</u>		
Acquisition of property and equipment	-	(187,424)
Net cash used by investing activities	-	(187,424)
<u>Financing Activities</u>		
Proceeds from State of Indiana loans	-	374,407
Proceeds from Lighthouse Academies, Inc. loan	-	250,000
Principal repayments of other notes payable	-	(76,666)
Net cash provided by financing activities	-	547,741
Net decrease in cash	(82,616)	(210,397)
Cash and cash equivalents, beginning of year	326,754	537,151
Cash and cash equivalents, end of year	\$ 244,138	326,754
Supplemental disclosures:		
Cash paid for interest expense	\$ 11,250	8,546

See accompanying notes to financial statements.

# EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

## Notes to Financial Statements

June 30, 2013 and 2012

### (1) Summary of Significant Accounting Policies

#### General

East Chicago Lighthouse Charter School (the "School") is a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. The sponsor has granted a charter to the school's organizer, Lighthouse Academies of Indiana, Inc. ("LAI"), a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. LAI is the organizer and governing body of five charter schools located in Indiana. LAI has entered into a service agreement with Lighthouse Academies, Inc., a not-for-profit organization incorporated in the State of Delaware to provide educational, managerial, legal, and financial services to the School.

#### Accounting Estimates

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

#### Accounts Receivable

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

#### Subsequent Events

The School evaluated subsequent events through December 9, 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. See Note 9 for a description of subsequent events affecting the financial statements.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

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 academic school year. Revenue is recognized in the year in which educational services are rendered.

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

Property and Equipment

Purchases of 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 \$5,000 are charged to expense as incurred.

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

Leasehold improvements.....	10 years
Furniture and equipment .....	5 years

Taxes on Income

Lighthouse Academies of Indiana, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2013 and 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income, Continued

Professional accounting standards require Lighthouse Academies of Indiana, Inc. 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. Lighthouse Academies of Indiana, Inc. 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.

(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 monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding 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.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

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

Repayment of Common School Fund loans .....	\$1,869,187
Repayment of accrued interest on Common School Fund loans....	<u>265,503</u>
	2,134,690
Elimination of School funding .....	<u>(2,158,293)</u>
	\$ <u>(23,603)</u>

(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 .....	\$1,847,505
Special education grant .....	<u>43,013</u>
	<u>\$1,890,518</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students and other factors. The payment schedule is likewise determined by state law, with tuition 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).

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(4) Long-Term Debt

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

	<u>2013</u>	<u>2012</u>
Notes payable to Indiana Common School Fund.....	\$ -	1,869,187
Note payable to Lighthouse Academies, Inc. ....	<u>250,000</u>	<u>250,000</u>
	250,000	2,119,187
Less current maturities .....	-	-
	<u>\$250,000</u>	<u>2,119,187</u>

The notes payable to the Indiana Common School Fund were comprised of five separate 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).

In 2012, the School executed a note payable to Lighthouse Academies, Inc. in the amount of \$250,000. The note provides for monthly interest payments at 4.5% per annum. Principal payments are due and payable at such times as the School has unencumbered funds to make a payment when considering other debts then currently owing. The remaining unpaid balance is due in July 2014. The note is secured by certain items of personal property.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(5) Leases

The School leases classroom facilities and furniture from East Chicago Lighthouse Facility, LLC under a ten-year sublease agreement, which became effective July 1, 2010. East Chicago Lighthouse Facility, LLC is indirectly owned by Lighthouse Academies, Inc., which provides management services to the School. The lease required initial minimum monthly payments of \$15,000, with an annual escalator of 2%.

The School executed a lease agreement with the Roman Catholic Diocese of Gary with regard to a second facility that became effective July 15, 2011. This lease required minimum monthly rental of \$8,334 and expired on July 14, 2013.

The School also leases textbooks, furniture and equipment on a regular basis under multiple leases. These leases are accounted for as operating leases and require monthly payments over a period of three years.

Total lease expense for the years ended June 30, 2013 and 2012 was \$322,483 and \$291,586, respectively. Minimum obligations under non-cancellable operating leases as of June 30, 2013 were as follows:

Year Ended June 30:

2014 .....	\$235,020
2015 .....	218,119
2016 .....	194,838
2017 .....	198,735
2018 .....	202,709
Thereafter .....	417,662

On August 28, 2013, the lease with East Chicago Lighthouse Facility, LLC was terminated and replaced with a new 30-year lease agreement, which amends the schedule of minimum lease obligations. The lease with the Roman Catholic Diocese of Gary was not renewed. The School executed a second 30-year lease on another facility (see Note 9).

## EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

### Notes to Financial Statements

#### (6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this agreement was \$64,749 and \$99,502 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.

Lighthouse Academies of Indiana, Inc. ("LAI") has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreement, LAI has agreed to pay an amount equal to 7.5% of revenues, as defined, for such services. Payments under this agreement were \$400,104 and \$354,409 for the years ended June 30, 2013 and 2012, respectively. This agreement remains in effect until June 30, 2016.

#### (7) Retirement Plan

All School personnel are employees of Lighthouse Academies, Inc., which provides management services to the School. School personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, the School will match 100% of employee contributions not to exceed 4% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the LAI board of directors. No discretionary contributions were made in 2013 and 2012. Retirement plan expense for the years ended June 30, 2013 and 2012 was \$40,554 and \$30,638, respectively.

#### (8) Refundable Advances

The School has been awarded grants from the Indiana Department of Education and other sources 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, 2013 and 2012, the School had refundable grant advances in excess of expenditures of \$20,417 and \$18,786, respectively.

## EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

### Notes to Financial Statements

#### (9) Subsequent Events

On August 28, 2013, the land and building comprising the school facility leased from East Chicago Lighthouse Facility, LLC were acquired by CFM Northwest Indiana, LLC, an entity controlled by CFM, Inc. CFM, Inc. was created by the School's management company, Lighthouse Academies, Inc., to provide facilitation and operational support of charter schools. CFM, Inc. and Lighthouse Academies, Inc. have common management personnel, but are governed by independent boards of directors.

Coincident with the purchase of the facility by CFM Northwest Indiana, LLC, the existing sublease with East Chicago Lighthouse Facility, LLC (see Note 5) was cancelled. The School entered into a new 30-year lease agreement with CFM Northwest Indiana, LLC covering this facility. At the same time, the School entered into a second 30-year lease with CFM Northwest Indiana, LLC covering another facility. The leases require the School to make rental payments equal to CFM Northwest Indiana, LLC's debt service obligation on bonds that it issued to purchase the facilities. The School has the option to purchase the facilities at any time for \$1 plus the remaining balance due on the bond debt.

#### (10) Risks and Uncertainties

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally to receivables from the State of Indiana. At June 30, 2013 and 2012, substantially all of the accounts receivable balance was due from the State of Indiana. Cash deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and normally exceed the FDIC insurance limit.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(11) Functional Expense Reporting

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

	2013			
	<u>Educational Instruction</u>	<u>Education Support</u>	<u>Admini- strative</u>	<u>Fundraising</u>
Salaries and wages..... \$	1,961,992	262,985	301,494	-
Employee benefits .....	411,238	55,122	63,194	-
Staff development and recruitment.....	78,649	-	-	-
Academic services –				
Lighthouse Academies .....	-	-	406,301	-
Authorizer's oversight fee.....	-	-	64,749	-
Food service .....	-	392,540	-	-
Transportation service .....	-	248,503	-	-
Other professional services .....	150,724	-	61,086	-
Property and textbook rental .....	59,528	-	-	-
Classroom, kitchen and office supplies.....	181,389	23,927	15,423	-
Occupancy .....	467,316	62,640	71,811	-
Depreciation .....	73,338	9,830	11,270	-
Interest .....	-	-	67,173	-
Other .....	<u>57,722</u>	<u>9,061</u>	<u>35,907</u>	<u>38,979</u>
	<u>\$ 3,441,896</u>	<u>1,064,608</u>	<u>1,098,408</u>	<u>38,979</u>

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(11) Functional Expense Reporting, Continued

	2012			
	<u>Educational Instruction</u>	<u>Education Support</u>	<u>Admini- strative</u>	<u>Fundraising</u>
Salaries and wages.....	\$1,745,981	272,537	275,330	-
Employee benefits .....	386,758	60,370	62,466	-
Staff development and recruitment.....	80,270	-	-	-
Academic services – Lighthouse Academies .....	-	-	364,637	-
Authorizer's oversight fee.....	-	-	99,502	-
Food service .....	-	339,468	-	-
Transportation service .....	-	198,085	-	-
Other professional services .....	258,615	-	95,984	-
Property and textbook rental.....	27,673	-	-	-
Classroom, kitchen and office supplies.....	273,586	29,059	22,368	-
Occupancy.....	436,485	68,133	70,497	-
Depreciation .....	61,994	9,677	10,013	-
Interest .....	-	-	78,264	-
Other.....	<u>41,774</u>	<u>6,583</u>	<u>38,252</u>	<u>24,222</u>
	<u>\$3,313,136</u>	<u>983,912</u>	<u>1,117,313</u>	<u>24,222</u>

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

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			
School Breakfast Program	10.553		\$ 239,401
National School Lunch Program	10.555		116,080
Total for cluster			<u>355,481</u>
 Fresh Fruit and Vegetable Program	 10.582		 25,009
Total for federal grantor agency			<u>380,490</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	12-9595/13-9595	337,512
 Special Education Cluster			
Special Education - Grants to States	84.027	14211-501-PN01 14212-501-PN01 14213-501-PN01	103,825
 Charter Schools Program	 84.282	 SY2012-13-014	 212,706
 English Language Acquisition Grants	 84.365	 01112-097-PN01 01113-093-PN01	 27,794
 Improving Teacher Quality State Grants	 84.367	 12-9595	 44,332
 ARRA - Education Jobs Fund	 84.410	 9595	 3,105
Total for federal grantor agency			<u>729,274</u>
 Total federal awards expended			<u><u>\$ 1,109,764</u></u>

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

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

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 East Chicago Lighthouse Charter School ("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  
Lighthouse Academies of Indiana, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **East Chicago Lighthouse Charter School** (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 December 9, 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.

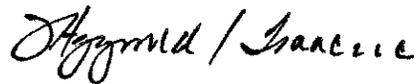
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Indianapolis, IN  
December 9, 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  
Lighthouse Academies of Indiana, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited **East Chicago Lighthouse Charter School'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, East Chicago Lighthouse Charter School 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 East Chicago Lighthouse Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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.

*Thomas H. Isaac*

Indianapolis, IN  
December 9, 2013

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

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:	Unmodified
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:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

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

Auditee qualified as low-risk auditee: Yes

**II. Financial Statement Findings**

No matters were reportable.

**III. Federal Award Findings and Questioned Costs**

No matters were reportable.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Other Reports

Year Ended June 30, 2013

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

Supplemental Audit Report of East Chicago Lighthouse Charter School

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.