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February 19, 2014

Charter School Board  
Indiana Math and Science Academy-  
North Indianapolis, Inc.  
7435 N. Keystone Avenue  
Indianapolis, IN 46240

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 Indiana Math and Science Academy – North Indianapolis, Inc., 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 Indiana Math and Science Academy – North Indianapolis, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

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

*State Board of Accounts*

**INDIANA MATH AND SCIENCE ACADEMY – NORTH**

**INDIANAPOLIS, INC.**

*Financial Statements and Federal Single Audit Report*

*June 30, 2013 and 2012*

INDIANA MATH AND SCIENCE ACADEMY - NORTH INDIANAPOLIS, INC.

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Indiana Math and Science Academy – North Indianapolis, Inc.

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

We have audited the accompanying financial statements of **Indiana Math and Science Academy – North Indianapolis, Inc.** (the “School”), 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 Indiana Math and Science Academy – North Indianapolis, 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 December 17, 2013 on our consideration of Indiana Math and Science Academy – North Indianapolis, 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 Indiana Math and Science Academy – North Indianapolis, Inc.'s internal control over financial reporting and compliance.



Indianapolis, IN  
January 7, 2014

INDIANA MATH AND SCIENCE ACADEMY - NORTH INDIANAPOLIS, INC.

Statements of Financial Position

Assets	June 30	
	2013	2012
Current assets:		
Cash	\$ 195,308	329,517
Accounts receivable:		
State education support	-	1,365,496
Grants	115,918	116,622
Other	9,832	20,832
Prepaid expenses	47,721	54,425
Total current assets	<u>368,779</u>	<u>1,886,892</u>
Property and equipment:		
Textbooks	282,635	172,644
Leasehold improvements	58,728	24,877
Furniture and equipment	692,584	579,640
Less: accumulated depreciation	(399,964)	(204,722)
Property and equipment, net	<u>633,983</u>	<u>572,439</u>
	<u>\$ 1,002,762</u>	<u>2,459,331</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 271,819	331,425
Notes payable	50,000	100,000
Current portion of capital lease obligation	7,389	11,094
Refundable advances	10,480	24,801
Total current liabilities	<u>339,688</u>	<u>467,320</u>
Accrued interest on Common School Fund loans	-	53,607
Long-term debt	-	1,391,540
Capital lease obligation	8,290	15,679
Total liabilities	<u>347,978</u>	<u>1,928,146</u>
Net assets:		
Unrestricted	654,784	496,958
Temporarily restricted	-	34,227
	<u>654,784</u>	<u>531,185</u>
Total net assets	<u>\$ 1,002,762</u>	<u>2,459,331</u>

See accompanying notes to financial statements.

INDIANA MATH AND SCIENCE ACADEMY - NORTH INDIANAPOLIS, INC.

Statements of Activities

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Revenue and Support</u>						
State education support	\$ 3,419,252	-	3,419,252	\$ 2,730,993	-	2,730,993
Grant revenue	1,132,991	-	1,132,991	1,059,894	-	1,059,894
Student fees	92,842	-	92,842	66,236	-	66,236
Other	10,930	-	10,930	9,052	-	9,052
Net assets released from restriction	34,227	(34,227)	-	11,871	(11,871)	-
Total revenue and support	<u>4,690,242</u>	<u>(34,227)</u>	<u>4,656,015</u>	<u>3,878,046</u>	<u>(11,871)</u>	<u>3,866,175</u>
<u>Expenses</u>						
Program services:						
Educational instruction	3,053,284	-	3,053,284	2,323,491	-	2,323,491
Education support	746,242	-	746,242	590,008	-	590,008
Administrative	831,789	-	831,789	589,170	-	589,170
Total expenses	<u>4,631,315</u>	<u>-</u>	<u>4,631,315</u>	<u>3,502,669</u>	<u>-</u>	<u>3,502,669</u>
Change in net assets before non-operating revenue	58,927	(34,227)	24,700	375,377	(11,871)	363,506
<u>Non-Operating Revenue</u>						
Gain due to changes in legislative funding	98,899	-	98,899	-	-	-
Increase (decrease) in net assets	157,826	(34,227)	123,599	375,377	(11,871)	363,506
Net assets, beginning of year	496,958	34,227	531,185	121,581	46,098	167,679
Net assets, end of year	<u>\$ 654,784</u>	<u>-</u>	<u>654,784</u>	<u>496,958</u>	<u>34,227</u>	<u>531,185</u>

See accompanying notes to financial statements.

INDIANA MATH AND SCIENCE ACADEMY - NORTH INDIANAPOLIS, INC.

Statements of Cash Flows

	Year Ended June 30	
	2013	2012
<b>Operating Activities</b>		
Change in net assets	\$ 123,599	363,506
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	(98,899)	-
Depreciation	195,242	120,234
Change in:		
Accounts receivable	(332,425)	(361,141)
Prepaid expenses	6,704	(6,448)
Accounts payable and accrued expenses	2,946	273,871
Refundable advances	(14,321)	(1,701)
Net cash provided (used) by operating activities	(117,154)	388,321
<b>Investing Activities</b>		
Acquisition of property and equipment	(256,787)	(283,889)
Net cash used by investing activities	(256,787)	(283,889)
<b>Financing Activities</b>		
Proceeds from State of Indiana loans	300,826	142,044
Proceeds from short-term borrowing, net of repayments	(50,000)	(30,000)
Principal reduction of capital lease obligation	(11,094)	(3,005)
Net cash provided by financing activities	239,732	109,039
Net increase (decrease) in cash	(134,209)	213,471
Cash, beginning of year	329,517	116,046
Cash, end of year	\$ 195,308	329,517
Supplemental disclosures:		
Cash paid for interest expense	\$ 1,836	689

See accompanying notes to financial statements.

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

General

Indiana Math and Science Academy – North Indianapolis, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by the Mayor's Office of the City of Indianapolis. The School commenced operations as of July 1, 2010.

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 January 7, 2014, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

Reclassifications

Certain figures for 2012 that were previously reported have been reclassified for comparative purposes.

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

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 funding received by other 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 and minor replacement costs 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:

Textbooks .....	5 years
Leasehold improvements.....	40 years
Furniture and equipment .....	3 to 5 years

Taxes on Income

Indiana Math and Science Academy – North Indianapolis, 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.

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income, Continued

Professional accounting 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 and 2011 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.

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

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 gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	\$1,692,366
Repayment of accrued interest on Common School Fund loans....	<u>116,159</u>
	1,808,525
Elimination of School funding .....	(1,709,626)
	<u>\$ 98,899</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 .....	\$1,313,321
Special education grant .....	45,768
Prime Time grant.....	<u>6,407</u>
	<u>\$1,365,496</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 support 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) Long-Term Debt

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).

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

Notes to Financial Statements

(5) Leases

The School leases playground equipment under a capital lease. At June 30, 2013, the cost and accumulated depreciation of the equipment relating to this lease were \$32,713 and \$15,811, respectively (\$32,713 and \$9,269 as of June 30, 2012).

Following is a schedule of minimum lease payments under this lease and the present value of net minimum lease payments as of June 30, 2013.

<u>Year Ended June 30:</u>	
2014 .....	\$ 7,389
2015 .....	7,389
2016 .....	<u>1,847</u>
	\$16,625
Less: Amount representing interest .....	<u>(946)</u>
	<u>\$15,679</u>

In 2010, the School executed a seven-year lease on a building used as its school facility under an operating lease agreement with Experimental Learning and Entrepreneurship Foundation, Inc. In 2013, the School exercised its right to extend the lease to July 31, 2024, and committed to lease a new gymnasium to be constructed. The lease provides for monthly rental payments which increase annually over the term of the agreement. Under the lease, the School is also responsible for repairs, maintenance, and utilities. The School also leases office equipment under operating leases which expire in June 2017. Total lease expense under operating leases for the years ended June 30, 2013 and 2012 was \$514,910 and \$423,050, respectively.

A schedule of minimum lease obligations under non-cancellable operating leases as of June 30, 2013 follows:

<u>Year Ended June 30:</u>	
2014 .....	\$ 515,893
2015 .....	628,276
2016 .....	639,965
2017 .....	655,598
2018 .....	562,252
Thereafter .....	3,675,859

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

Notes to Financial Statements

(6) Retirement Plan

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer defined benefit retirement plans 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 teaching faculty to TRF. The contribution to PERF for other employees was 7.5% of compensation until December 31, 2012, and 9.0% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$148,319 and \$84,813 for the years ended June 30, 2013 and 2012, respectively.

(7) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2013 and 2012, the School had refundable grant advances in excess of expenditures of \$10,480 and \$24,801, respectively.

(8) Commitments

The School has contracted with Concept Schools, Inc. to provide on-going training and consultation, personnel, recruitment and admissions, and other services. Under the terms of the agreement, the School has agreed to pay an amount equal to 10% of revenues, as defined, for such services. Payments under this agreement were \$284,642 and \$262,664 for the years ended June 30, 2013 and 2012, respectively. This agreement is renewable annually.

(9) Restricted Net Assets

Temporarily restricted net assets represented resources received from donors that have not been expended for the identified purpose. Temporarily restricted net assets as of June 30, 2012 were available for purchase of educational materials and equipment. The purpose restriction was met and net assets released from restriction in 2013.

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

Notes to Financial Statements

(10) Risks and Uncertainties

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2013 and 2012, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits are maintained at PNC Bank and frequently exceed the FDIC insurance limit.

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

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:

	<u>2013</u>		
	<u>Educational Instruction</u>	<u>Education Support</u>	<u>Admini- strative</u>
Salaries and wages.....	\$ 1,515,173	64,833	220,082
Employee benefits .....	405,242	7,734	51,686
Staff development and recruitment.....	56,003	-	2,046
Academic services .....	-	-	284,642
Food service .....	-	198,479	-
Transportation service .....	-	360,357	-
Other professional services .....	116,274	78,764	113,558
Classroom, kitchen and office supplies.....	75,629	14,771	31,902
Occupancy .....	620,218	21,304	-
Depreciation .....	195,242	-	-
Interest .....	-	-	64,388
Other .....	<u>69,503</u>	<u>-</u>	<u>63,485</u>
	<u>\$ 3,053,284</u>	<u>746,242</u>	<u>831,789</u>

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

Notes to Financial Statements

(11) 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.....	\$ 1,212,796	48,222	90,963
Employee benefits .....	296,025	4,388	14,596
Staff development and recruitment.....	24,363	-	608
Academic services .....	-	-	262,664
Food service .....	-	157,512	-
Transportation service .....	-	272,230	-
Other professional services .....	89,587	69,201	79,755
Classroom, kitchen and office supplies.....	44,191	14,655	27,211
Occupancy .....	514,242	23,800	-
Depreciation .....	120,234	-	-
Interest .....	-	-	54,296
Other .....	<u>22,053</u>	<u>-</u>	<u>59,077</u>
	<u>\$ 2,323,491</u>	<u>590,008</u>	<u>589,170</u>

INDIANA MATH AND SCIENCE ACADEMY - NORTH INDIANAPOLIS, INC.

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		\$ 70,681
National School Lunch Program	10.555		148,672
Total for cluster			<u>219,353</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	13-9895	299,342
 Special Education Cluster			
Special Education - Grants to States	84.027	14213-544-PN01	34,193
Charter Schools Program	84.282		316,240
Improving Teacher Quality State Grants	84.367		51,660
Total for federal grantor agency			<u>701,435</u>
Total federal awards expended			<u>\$ 920,788</u>

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

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

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 Indiana Math and Science Academy – North Indianapolis, Inc. (“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  
Indiana Math and Science Academy – North Indianapolis, 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 **Indiana Math and Science Academy – North Indianapolis, Inc.** (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 January 7, 2014.

**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 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 Schools 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  
January 7, 2014

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  
Indiana Math and Science Academy – North Indianapolis, Inc.

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

We have audited **Indiana Math and Science Academy – North Indianapolis, Inc.**'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 Schools 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, Indiana Math and Science Academy – North Indianapolis, 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 Indiana Math and Science Academy – North Indianapolis, 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 black ink, appearing to read "Raymond J. Francis". The signature is written in a cursive style with a large initial 'R'.

Indianapolis, IN  
January 7, 2014

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

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

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

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
84.282	Charter Schools Program

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

Auditee qualified as low-risk auditee: No

**II. Financial Statement Findings**

No matters were reportable.

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

No matters were reportable.

INDIANA MATH AND SCIENCE ACADEMY – NORTH INDIANAPOLIS, INC.

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 Indiana Math and Science Academy – North Indianapolis, Inc.

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