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April 9, 2014

Charter School Board
Charles A. Tindley Accelerated School
3960 Meadows Drive
Indianapolis, IN 46205

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Crowe Horwath, LLP, 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 Charles A. Tindley Accelerated 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.

We call your attention to the findings in the report. Pages 18 through 20 contain three current audit findings. Page 21 contains the status of two prior audit findings. Management's response is on pages 18 through 21.

In addition to the report presented herein, an Indiana State Board of Accounts Compliance Report of Charter for Accelerated Learning Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

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

State Board of Accounts

CHARLES A. TINDLEY ACCELERATED SCHOOL

FINANCIAL STATEMENTS

June 30, 2013

CHARLES A. TINDLEY ACCELERATED SCHOOL
Indianapolis, Indiana

FINANCIAL STATEMENTS
June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Charter for Accelerated Learning, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the Charles A. Tindley Accelerated School ("School"), a component of the Charter for Accelerated Learning, Inc., 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.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Charles A. Tindley Accelerated School as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the School is a component of the Charter for Accelerated Learning, Inc. and is subject to oversight by the Indiana State Board of Accounts in conjunction with the Indiana Department of Education. A separate audit of the School is required by these regulatory agencies. The School's financial statements are not intended to be a complete presentation of the assets, liabilities, revenues, and expenses of the Charter for Accelerated Learning, Inc. Our opinion is not modified with respect to this matter.

Other Matter

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for the 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 other 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the School's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
March 28, 2014

CHARLES A. TINDLEY ACCELERATED SCHOOL
STATEMENT OF FINANCIAL POSITION
June 30, 2013

ASSETS

Cash and cash equivalents	\$ 1,643,465
Grants receivable (Note 2)	46,317
Due from related parties	641,376
Prepaid expenses	26,407
Bond issuance costs	118,264
Land, buildings, and equipment, net (Note 3)	<u>6,161,031</u>
Total assets	<u>\$ 8,636,860</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 283,122
Vacation accrual	56,930
Bonds and notes payable (Note 5)	<u>5,400,000</u>
Total liabilities	5,740,052

Net assets

Unrestricted	1,354,428
Temporarily restricted	<u>1,542,380</u>
Total net assets	<u>2,896,808</u>

Total liabilities and net assets	<u>\$ 8,636,860</u>
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See accompanying notes to financial statements.

CHARLES A. TINDLEY ACCELERATED SCHOOL
STATEMENT OF ACTIVITIES
Year ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Federal and state grants	\$ 2,654,153	\$ -	\$ 2,654,153
Contributions	636,938	1,547,664	2,184,602
Program service fees	73,604	-	73,604
Gain on loan forgiveness	1,426,603	-	1,426,603
Investment income	2,766	-	2,766
Net assets released from restrictions	<u>383,732</u>	<u>(383,732)</u>	<u>-</u>
Total public support and revenues	5,177,796	1,163,932	6,341,728
Expenses			
Middle school	1,827,687	-	1,827,687
High school	1,575,537	-	1,575,537
Grant distribution to related party	292,059	-	292,059
General and administrative	1,366,618	-	1,366,618
Fundraising	<u>39,915</u>	<u>-</u>	<u>39,915</u>
Total expenses	<u>5,101,816</u>	<u>-</u>	<u>5,101,816</u>
Change in net assets	75,980	1,163,932	1,239,912
Net assets, beginning of year	<u>1,278,448</u>	<u>378,448</u>	<u>1,656,896</u>
Net assets, end of year	<u>\$ 1,354,428</u>	<u>\$ 1,542,380</u>	<u>\$ 2,896,808</u>

See accompanying notes to financial statements.

CHARLES A. TINDLEY ACCELERATED SCHOOL
STATEMENT OF CASH FLOWS
Year ended June 30, 2013

Cash flows from operating activities	
Change in net assets	\$ 1,239,912
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	452,522
Gain on loan forgiveness	(1,426,603)
Change in assets and liabilities	
Grants receivable	1,657,453
Due from related parties	(641,376)
Prepaid expenses	8,033
Accounts payable and accrued expenses	9,001
Vacation accrual	<u>38,250</u>
Net cash from operating activities	<u>1,337,192</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(2,361,950)</u>
Net cash from investing activities	<u>(2,361,950)</u>
Cash flows from financing activities	
Bond issuance costs	(118,264)
Repayment on bonds payable	(3,152,340)
Borrowings on bonds and notes payable	<u>5,400,000</u>
Net cash from financing activities	<u>2,129,396</u>
Net change in cash and cash equivalents	1,104,638
Cash and cash equivalents, beginning of year	<u>538,827</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,643,465</u></u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ 10,220

See accompanying notes to financial statements.

CHARLES A. TINDLEY ACCELERATED SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: The Charter For Accelerated Learning, Inc. began operations in 2002 to provide educational services including charter school management, turnaround school services, and education consulting. In 2004, Charter For Accelerated Learning Inc. launched the Charles A. Tindley Accelerated School (School) as an open-enrollment charter school serving grades 6-12. From the beginning, the School's vision has been to ensure 100 percent of its students gain acceptance to a fully-accredited four-year college or university. With this in mind, every student is required to complete a rigorous high school program culminating in authentic courses.

The School is a component of the Charter for Accelerated Learning, Inc. and is subject to oversight by the Indiana State Board of Accounts in conjunction with the Indiana Department of Education. A separate audit of the School is required by these regulatory agencies. The School's financial statements are not intended to be a complete presentation of the assets, liabilities, revenues, and expenses of the Charter for Accelerated Learning, Inc.

The balances and activities of other components are not included in these financial statements. These financial statements are not intended to be the financial statements of the Charter for Accelerated Learning, Inc. The financial statements of the Charter for Accelerated Learning, Inc. are prepared separately, and eliminate all material inter-school accounts and transactions.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees.

Method of Accounting: The School maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The School, as a component of the Charter for Accelerated Learning, Inc., is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the School is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The School has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that 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 benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit will be recorded.

The School is no longer subject to examination by taxing authorities for years before 2010. The School does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The School recognizes interest and/or penalties related to income tax matters in income tax expense. The School did not have any amounts accrued for interest and penalties at June 30, 2013.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

(Continued)

CHARLES A. TINDLEY ACCELERATED SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. The School does not accrue interest on any of its grants receivables.

Allowances: No allowance for doubtful accounts is recorded as of June 30, 2013. The allowances are based upon prior experience and management's analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The School currently considers all receivables to be fully collectible.

Bond Issuance Costs: All fees and other costs relative to the issuance of the tax-exempt bonds have been recorded as an asset and amortized over the life of the related bonds.

Property and Equipment: Expenditures for property and equipment and items in excess of \$1,000 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements	40 years
Machinery and equipment	3-5 years
Textbooks	3 years

Impairment of Long-Lived Assets: In accordance with GAAP, the School reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2013, management believes that no impairment exists.

Fair Value of Financial Instruments: The carrying value of all the School's financial instruments, which include cash and cash equivalents, grants receivable, accounts payable, and long-term debt, approximate fair values.

Basis of Presentation: The School follows GAAP and reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the School. The unrestricted net assets of the School may be used at the discretion of management to support the School's purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes assets of the School related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates.

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets of the School related to contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School had no permanently restricted net assets as of June 30, 2013.

(Continued)

CHARLES A. TINDLEY ACCELERATED SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal and State Grants: Support funded by grants is recognized as the School performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the School's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions: Contributions are recognized in the period that the promise to give is received. Unless specifically restricted by the donor, all contributions are considered available for unrestricted use. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support.

Loan Forgiveness: Between January 2006 and January 2010, the School received five loans from the State of Indiana to support operations of the School. Payments on the loans had been deferred until July 2013. In June 2013, these loans were forgiven resulting in a gain recognized on the Statement of Activities in the amount of \$1,426,603.

Functional and Allocated Expenses: Expenses are charged directly to activities when specifically identifiable. All other costs are allocated to the activities based upon various actual statistical bases. Salaries and related expenses are charged based on the relative amount of time historically spent by personnel.

Advertising: The School expenses advertising costs as incurred. During 2013, expenses totaling \$30,008 were incurred for advertising.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2013, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2013. Management has performed their analysis through March 28, 2014, the date the financial statements were issued.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable are due within one year and are as follows:

	<u>2013</u>
State support	\$ 5,160
Federal support	35,985
Other support	<u>5,172</u>
	<u>\$ 46,317</u>

(Continued)

CHARLES A. TINDLEY ACCELERATED SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - LAND, BUILDINGS AND EQUIPMENT

At June 30, the carrying value of land, buildings and equipment consists of the following:

	<u>2013</u>
Land	\$ 125,000
Buildings and improvements	6,204,753
Machinery and equipment	1,777,843
Textbooks	<u>423,610</u>
	8,531,206
Less: accumulated depreciation	<u>(2,370,175)</u>
	<u>\$ 6,161,031</u>

Depreciation expense for the year ended June 30, 2013 was \$452,522.

NOTE 4 - LEASES

The School leases certain equipment under various non-cancelable operating leases which expire at various dates through June 2017.

Future minimum lease payments under operating leases at June 30, 2013, are as follows:

2014	\$ 31,773
2015	26,924
2016	25,308
2017	<u>17,825</u>
	<u>\$ 101,830</u>

Operating lease expense for the year ended June 30, 2013 was approximately \$54,277.

NOTE 5 - BONDS AND NOTES PAYABLE

Bonds and notes payable consist of the following at June 30, 2013:

	<u>2013</u>
In 2013, the Indiana Finance Authority issued \$4,400,000 of Educational Facilities Revenue Bonds Series 2013. The funds were loaned to the School for the purpose of refunding the Economic Development Bonds series 2004 issued by the Indiana Finance Authority and to partially fund the purchase of the building in which the School is located. The bonds are payable in monthly installments, including variable interest at the prime rate minus 0.75% (2.5% at June 30, 2013), maturing in July 2033.	\$ 4,400,000

(Continued)

CHARLES A. TINDLEY ACCELERATED SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 - BONDS AND NOTES PAYABLE (Continued)

	<u>2013</u>
In 2013, the School secured a five year term loan on a 20 year amortization to partially fund the purchase the building in which the School is located. The loan is payable in monthly installments, including variable interest at the prime rate (3.25% at June 30, 2013), maturing in July 2018.	<u>\$ 1,000,000</u>
	<u>\$ 5,400,000</u>

The bond issue is secured by loan agreements with the Indiana Finance Authority. The bond issue was a direct purchase from the National Bank of Indianapolis and does not require a letter of credit. Under the direct purchase agreement, the School is subject to certain covenants, primarily financial coverage ratios, with which the School reported compliance.

Interest expense for the year ended June 30, 2013 was \$10,220.

Estimated future principal payments due on long term debt are:

2014	\$ 188,341
2015	212,289
2016	217,664
2017	223,902
2018	229,953
Thereafter	<u>4,327,851</u>
	<u>\$ 5,400,000</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2013</u>
Charter growth fund	\$ 1,500,000
Exact Target	29,864
Zimmer library fund	5,591
SAT Prep	4,856
Clowes fund	1,757
Capstone	<u>312</u>
	<u>\$ 1,542,380</u>

Net assets are released from donor restrictions by incurring expenditures satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from restrictions during the year ended June 30, 2013 totaled \$383,732 and were related to various school and educational purposes.

NOTE 7 - PENSION PLAN

The School participates in the Public Employment Retirement Fund (PERF) and the Teacher's Retirement Fund (TRF). The School is required to contribute 7.5% to the TRF and 7.0% to PERF, respectively. Employees are required to contribute 3% of gross wages to their respective plan. The expense for the year ended June 30, 2013 was \$163,334.

SUPPLEMENTARY INFORMATION

CHARLES A. TINDLEY ACCELERATED SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Number</u>	<u>Amount</u>
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
National School Lunch Program	10.555		\$ 102,842
<u>U.S. Department of Education</u>			
Pass-Through Indiana Department of Education:			
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	13-9445	291,331
Special Education Cluster			
Special Education – Grants to States	84.027	14212-512-PN01 14213-512-PN01 9445-62620	137,702
Fund for the Improvement of Education	84.215G		153,069
Charter Schools	84.282	9445-SY11-12-018 9445-SY2012-13-005	203,940
Improving Teacher Quality State Grants	84.367	9445-6840-4990	47,708
ARRA- Education Jobs Fund	84.410		1,838
ARRA - School Improvement Grant	84.388A		<u>166</u>
			<u>\$ 938,596</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

CHARLES A. TINDLEY ACCELERATED SCHOOL
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

NOTE 1 - BASIS OF PRESENTATION

This schedule includes the federal awards activity of the Charles A. Tindley Accelerated School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Board of Trustees
Charter for Accelerated Learning, Inc.
Indianapolis, Indiana

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 Charles A. Tindley Accelerated School ("School"), a component of the Charter for Accelerated Learning, Inc., 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 March 28, 2014. As discussed in Note 1 to the financial statements, the School is a component of the Charter for Accelerated Learning, Inc. and is subject to oversight by the Indiana State Board of Accounts in conjunction with the Indiana Department of Education. A separate audit of the School is required by these regulatory agencies. The School's financial statements are not intended to be a complete presentation of the assets, liabilities, revenues, and expenses of the Charter for Accelerated Learning, Inc.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness (Finding 2013-01).

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies (Finding 2013-02 and 2013-03).

Compliance and Other Matters

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

Management's Response to Findings

The School's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The School's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
March 28, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Board of Trustees
Charter for Accelerated Learning, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited the Charles A. Tindley Accelerated School's ("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 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, the Charles A. Tindley Accelerated 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.

(Continued)

Report on Internal Control Over Compliance

Management of the 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.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
March 28, 2014

CHARLES A. TINDLEY ACCELERATED SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Special Education Cluster
84.027	Special Education
82.282	Charter Schools

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

Auditee qualified as low-risk auditee? X Yes No

(Continued)

CHARLES A. TINDLEY ACCELERATED SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

**SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO
BE REPORTED IN ACCORDANCE WITH GAGAS.**

FINDING 2013-01 – CONTROLS OVER FINANCIAL REPORTING

Criteria:	Applicable standards state that management is responsible for having internal controls in place to provide appropriate and reliable financial reports, and to select and apply appropriate accounting principles. Management is not required to prepare their financial reports, but management needs to demonstrate the level of qualifications and controls to prepare their financial reports without significant deficiencies in these controls.
Condition:	<p>During the current year audit, adjustments were posted that changed the School's financial statements by a material amount, as follows:</p> <ul style="list-style-type: none">• Increase accrued expenses and payroll expense by approximately \$130,000 for June payroll expenses.• Increase vacation accrual and vacation expense by approximately \$57,000 to record a liability for accrued vacation.• Increase depreciation expense and accumulated depreciation by approximately \$78,000 for assets capitalized but never depreciated.• Various entries were posted to correct net asset balances due to improper recording of restricted revenues in accordance with GAAP. The net impact of the entries is an approximate \$1,500,000 increase to contribution revenue.
Cause/Effect:	The above condition appears to be the result of the inability to fully implement a review process. The effect is a lack of materially accurate financial reporting by management.
Questioned Cost:	None
Recommendation:	We recommend that management thoroughly review monthly and annual account reconciliations. This will allow for the general ledger to reflect a complete and accurate representation of financial results.
Management's Response:	Agree
Corrective Action:	We will establish a process whereby the outsourced bookkeepers will forward their proposed adjusting journal entries and draft financial statements to the School's accounting team for review and approval prior to closing the books on a monthly basis. In addition, the School's year-end process should be extended to include period end accrual adjustments to be approved by and made by the School's accounting team and then the outsourced bookkeepers will post as June 30 th activity.

(Continued)

CHARLES A. TINDLEY ACCELERATED SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

FINDING 2013-02 – MANAGEMENT OVERSIGHT OF OUTSOURCED BOOKKEEPERS

Criteria:	Auditing standards state that a lack of internal controls over journal entries is indicative of at least a significant deficiency in internal controls.
Condition:	Journal entries and account reconciliations are performed by the outsourced bookkeeping firm and reviewed internally by the bookkeeping firm; however, there is not a documented review from School management.
Cause/Effect:	As a result of the underlying condition, a financial statement misstatement may exist and not be detected and corrected by management in a timely manner.
Questioned Cost:	None.
Recommendation:	We recommend management institute additional procedures that provide an in-depth review of work performed by the outsourced bookkeeping firm on a periodic basis and to document this review accordingly.
Management's Response:	Agree
Corrective Action:	The Controller will establish a process with outsourced bookkeepers to forward account reconciliations to the school accounting department for review and approval prior to posting. Any adjustments will be made in the following month unless it is year-end. Year-end adjustments will be posted to June 30 th activity.

**FINDING 2013-03 - PREPARATION OF AN ACCURATE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

Criteria:	OMB Circular A-133, Section 310(b) requires the auditee prepare a complete and accurate SEFA.
Condition:	The SEFA prepared by the auditee did not contain all the required information.
Cause/Effect:	The auditee provided to the auditor a list of federal awards with missing Catalog of Federal Domestic Assistance (CFDA) numbers. As a result, it was not possible to obtain accurate cluster or program information from the original SEFA.
Questioned Cost:	None.

(Continued)

CHARLES A. TINDLEY ACCELERATED SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

Recommendation: We recommend management maintain grant documents to ensure CFDA numbers are accurate, complete, and that all federal requirements have been satisfied.

Management's Response: The CFDA numbers do not affect financial reporting, nor do they affect how grants are recorded or tracked.

Corrective Action: A complete list of grants, total expenditures, pass-through entities and amounts, and the corresponding CFDA numbers will be maintained by the Controller and provided to the auditors. This finding will be mitigated by September 30, 2014.

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(a).

None

CHARLES A. TINDLEY ACCELERATED SCHOOL
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2013

FINDING 2012-01 – MANAGEMENT OVERSIGHT OF OUTSOURCED BOOKKEEPERS

Condition: Journal entries and account reconciliations are performed by the outsourced bookkeeping firm and reviewed internally by the bookkeeping firm; however, there is not a review from School management.

Corrective Action: We have hired a Controller that will maintain oversight of the outsourced bookkeepers. The Controller will review and approve monthly journal entries and account reconciliations. The Controller will be the individual primarily responsible for the implementation of this oversight. This is expected to be completed prior to June 30, 2013.

Status: Repeated. See Finding 2013-02.

FINDING 2012-02 – PREPARATION OF AN ACCURATE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition: The Schedule of Expenditures of Federal Awards prepared by the auditee did not contain all the required information.

Corrective Action: We will implement procedures to ensure that the Schedule of Expenditures of Federal Awards contains all required information; both financial and non-financial. The Chief Operating Officer and the Controller will be the individuals primarily responsible for oversight of the preparation of the SEFA. These procedures will be implemented prior to June 30, 2013.

Status: Repeated. See Finding 2013-03.

CHARLES A. TINDLEY ACCELERATED 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:

Indiana State Board of Accounts Compliance Report of Charter for Accelerated Learning, Inc.

The above 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*.