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July 2, 2014

Charter School Board
Christel House Academy, Inc.
2717 S. East Street
Indianapolis, IN 46225

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, 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 Christel House Academy, 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 the Christel House Academy, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner



CHRISTEL HOUSE ACADEMY, INC.

**FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION**

For the Years Ended
June 30, 2013 and 2012



Christel House.
Academy



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Christel House Academy, Inc. (an Indiana non-profit organization), 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; and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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 Christel House Academy, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. 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 June 19, 2014, on our consideration of Christel House Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Christel House Academy, Inc.'s internal control over financial reporting and compliance.



Sikich LLP

Indianapolis, Indiana
June 19, 2014

CHRISTEL HOUSE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 201,717	\$ 295,133
Accounts receivable	22,731	-
Grants receivable	93,119	50,290
State support receivable, net of allowance of \$2,223,912 and \$0, respectively	-	2,088,713
Prepaid expenses	<u>48,606</u>	<u>64,303</u>
 Total Current Assets	 <u>366,173</u>	 <u>2,498,439</u>
 PROPERTY AND EQUIPMENT:		
Furniture and equipment	898,330	836,988
Computer hardware	485,025	482,803
Computer software	240,234	240,234
Leasehold improvements	92,209	92,209
Books and educational materials	100,347	100,347
Less: accumulated depreciation	<u>(1,131,844)</u>	<u>(899,866)</u>
 Total Property and Equipment, net	 <u>684,301</u>	 <u>852,715</u>
	 <u><u>\$ 1,050,474</u></u>	 <u><u>\$ 3,351,154</u></u>

See accompanying notes to the financial statements.

CHRISTEL HOUSE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
 (continued)
 JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 185,061	\$ 98,973
Short-term advance from Christel		
House International	355,814	945,896
Accrued payroll	228,829	237,524
Accrued interest	<u>24,356</u>	<u>16,097</u>
Total Liabilities	<u>794,060</u>	<u>1,298,490</u>
 NET ASSETS:		
Unrestricted	99,377	1,976,067
Temporary restricted	<u>157,037</u>	<u>76,597</u>
Total Net Assets	<u>256,414</u>	<u>2,052,664</u>
	<u><u>\$ 1,050,474</u></u>	<u><u>\$ 3,351,154</u></u>

See accompanying notes to the financial statements.

CHRISTEL HOUSE ACADEMY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
State support	\$ 4,447,219	\$ -	\$ 4,447,219
Grant revenue	2,129,305	155,991	2,285,296
In-kind contributions	454,685	-	454,685
Contributions and donations	329,654	-	329,654
Christel House International contribution	89,939	-	89,939
Reimbursements	47,484	-	47,484
School lunch program	31,319	-	31,319
Student fees	26,074	-	26,074
Other revenue	20,423	-	20,423
Textbook rental	2,914	-	2,914
Net assets released from restrictions by satisfaction of temporary restrictions	<u>75,551</u>	<u>(75,551)</u>	<u>-</u>
Total Revenues and Support	<u>7,654,567</u>	<u>80,440</u>	<u>7,735,007</u>
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	6,883,984	-	6,883,984
Supporting services: General and administrative	<u>423,361</u>	<u>-</u>	<u>423,361</u>
Total Expenses	<u>7,307,345</u>	<u>-</u>	<u>7,307,345</u>
NET OPERATING REVENUE:	347,222	80,440	427,662
NON-OPERATING LOSS			
Allowance due to changes in legislative funding	<u>(2,223,912)</u>	<u>-</u>	<u>(2,223,912)</u>
CHANGE IN NET ASSETS	(1,876,690)	80,440	(1,796,250)
NET ASSETS , beginning of year	<u>1,976,067</u>	<u>76,597</u>	<u>2,052,664</u>
NET ASSETS , end of year	<u>\$ 99,377</u>	<u>\$ 157,037</u>	<u>\$ 256,414</u>

See accompanying notes to the financial statements.

CHRISTEL HOUSE ACADEMY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
State support	\$ 4,177,609	\$ -	\$ 4,177,609
Grant revenue	1,794,995	76,597	1,871,592
In-kind contributions	417,079	-	417,079
Reimbursements	329,472	-	329,472
Christel House International contributions	73,972	-	73,972
Contributions and donations	73,818	-	73,818
School lunch program	30,290	-	30,290
Student fees	26,362	-	26,362
Other revenue	8,146	-	8,146
Textbook rental	2,146	-	2,146
Net assets released from restrictions by satisfaction of temporary restrictions	<u>18,064</u>	<u>(18,064)</u>	<u>-</u>
 Total Revenues and Support	 <u>6,951,953</u>	 <u>58,533</u>	 <u>7,010,486</u>
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	6,853,553	-	6,853,553
Supporting Services:			
General and administrative	<u>388,876</u>	<u>-</u>	<u>388,876</u>
 Total Expenses	 <u>7,242,429</u>	 <u>-</u>	 <u>7,242,429</u>
 CHANGE IN NET ASSETS	 (290,476)	 58,533	 (231,943)
 NET ASSETS , beginning of year			
As previously reported	<u>2,123,038</u>	<u>18,064</u>	<u>2,141,102</u>
 Prior period adjustment for overstatement of short-term advance from Christel House International	 <u>143,505</u>	 <u>-</u>	 <u>143,505</u>
 NET ASSETS , beginning of year As restated	 <u>2,266,543</u>	 <u>18,064</u>	 <u>2,284,607</u>
 NET ASSETS , end of year	 <u>\$ 1,976,067</u>	 <u>\$ 76,597</u>	 <u>\$ 2,052,664</u>

See accompanying notes to the financial statements.

CHRISTEL HOUSE ACADEMY, INC.
STATEMENTS OF CASH FLOWS
JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,796,250)	\$ (231,943)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	231,978	235,963
Allowance due to changes in legislative funding	2,223,912	-
(Increase) decrease in:		
Accounts receivable	(22,731)	-
Grants receivable	(42,829)	(241,286)
State support receivable	(135,199)	-
Prepaid expense	15,697	(13,141)
Increase (decrease) in:		
Accounts payable	86,088	(59,960)
Accrued payroll	(8,695)	(117,002)
Accrued interest	8,259	16,097
	<u>560,230</u>	<u>(411,272)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
	<u>560,230</u>	<u>(411,272)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(63,564)</u>	<u>(123,556)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(63,564)</u>	<u>(123,556)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings from Christel House International	-	1,312,833
Short-term repayments to Christel House International	<u>(590,082)</u>	<u>(714,293)</u>
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES:	<u>(590,082)</u>	<u>598,540</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(93,416)	63,712
CASH AND CASH EQUIVALENTS - beginning of year	<u>295,133</u>	<u>231,421</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 201,717</u>	<u>\$ 295,133</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	<u>\$ 59,287</u>	<u>\$ 52,700</u>

See accompanying notes to the financial statements.

CHRISTEL HOUSE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Temporarily restricted net assets - Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of June 30, 2013 and 2012, the Academy had \$157,037 and \$76,597, respectively of temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Academy. Generally, the donors of these assets permit the Academy to use all or part of the income earned on the related investments for general or specific purposes. As of June 30, 2013 and 2012, the Academy had no permanently restricted net assets.

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

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

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

Grant receivables are reported net of an allowance for doubtful accounts. There was no allowance, as of June 30, 2013 and 2012, based on management's estimate of the amount of receivables that will actually be collected. Grant receivables are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

State Support Receivable - Tuition support is determined by state law and is dependent upon geographic location of the school. The tuition is also indexed to the poverty data of the enrolled students and other factors. The payment schedule is likewise determined by state law. Tuition support is payable in equal monthly installments in the calendar year following the start of the academic school year (i.e. 6 months in arrears). As such, the Academy followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the Academy in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, tuition support will be paid currently in monthly installments that coincide with the Academy's fiscal year.

State support receivables are reported net of an allowance for doubtful accounts. As of June 30, 2013 and 2012, the allowance for doubtful accounts was \$2,223,912 and \$0, respectively. This allowance is based upon management's estimate using the expected amount of receivables that will be collected due to the change in legislative funding (See Note 3).

Property and Equipment - Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The Academy capitalizes additions of fixed assets in excess of \$1,000 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 40 years. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense was \$231,978 and \$235,963 for the years ended June 30, 2013 and 2012, respectively.

Impairment of Long-lived Assets - The Academy evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed for the years ended June 30, 2013 and 2012.

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

The Academy received \$454,685 and \$417,079 of in-kind contributions during the years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, these amounts consist of rent (\$391,644 and \$370,738, respectively), provided at no charge by Christel House International, Inc., Indianapolis Symphony Orchestra (\$16,700 and \$0 respectively), and nursing services (\$46,341 and \$46,341 respectively), provided at no charge.

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

Revenue Recognition - Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the Academy receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the state of Indiana is based on enrollment, and paid in equal monthly installments in July through June. See Note 3 regarding legislative changes affecting revenue recognition.

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

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

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

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

Advertising - The Academy expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2013 and 2012 was \$19,869 and \$15,557, respectively.

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

The Academy has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. In the normal course of business, the Academy is subject to examination by taxing authorities. The Academy's tax returns for years subsequent to fiscal year 2009 are open, by statute, for review by authorities. However, at present there are no ongoing income tax audits or unresolved disputes with the various tax authorities that the Academy currently files or has filed.

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

The Academy places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. There was \$0 and \$45,133 in excess of FDIC insured limits at June 30, 2013 and 2012, respectively.

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

Operating Funds from the Indiana Department of Education amounted to 58% and 60% of the Academy's support and revenue for the year ended June 30, 2013 and 2012, respectively. A

state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the school during the year.

Risks and Uncertainties - The Academy provides education instruction 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 Academy. Additionally, the Academy is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the Academy.

Reclassifications – Certain amounts in the prior-year financial statements have been reclassified in order to be comparable with the current year presentation.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Nature of Operations - Christel House Academy, Inc. (the “Academy”) was incorporated in October 2001, under the laws of the State of Indiana and commenced operations in September 2002. The Academy is an inner-city Indianapolis charter school that provides outstanding education to underserved children by maintaining high standards of academic rigor, efficiency, and accountability. The Academy’s primary source of revenue and support is grants from the Indiana Department of Education.

Education - The Academy offers education, special education, and instructional staff training programs for grades K-12. Education includes enhanced national and state-mandated educational objectives, implemented with a focus on character development and academic performance. Students participate in service learning projects and are exposed to an internationally focused perspective on the world. The Academy uses a curriculum designed to promote critical thinking skills, academic achievement, and personal development through the use of in-depth investigations that engage students in community, projects, and service. Special education is an addition to the Academy’s core educational program. The instructional staff training program includes in house training on staff development days and off site training for teachers and interventionists.

NOTE 3 – LEGISLATIVE FUNDING CHANGES

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered.

Effective July 1, 2013, school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to the Academy’s academic year. As part of this legislative amendment, the funding owed to the Academy under prior legislation for the period July to December 2013 will no longer be paid.

For the year ended June 30, 2013, the effect of these legislative amendments has been reflected in the accompanying statement of activities as an allowance due to changes in legislative funding for \$2,223,912.

The amendment included a provision for the forgiveness of outstanding charter school start-up loans. As the Academy did not participate in the charter school start-up loan program, the provisions of the amendment will result in a loss of revenue to the school. As a result, the Academy is in the process of appealing the amendment.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable for the years ended June 30, 2013 and June 30, 2012 represent amounts due from the Indiana Department of Education relating to the following sources:

	<u>2013</u>	<u>2012</u>
21st Century	\$ 6,016	\$ 15,209
Federal Special Ed	9,981	889
TIF/TAP	25,235	8,281
Education Jobs	-	5,165
Title I	51,561	20,746
Title III	326	-
	<u>\$ 93,119</u>	<u>\$ 50,290</u>

NOTE 5 - OPERATING LEASES

The Academy entered into a 20 year lease with Christel House International, Inc. for educational facilities located at 2717 South East Street, Indianapolis, Indiana. The lease, which expires on January 31, 2023, requires monthly payments which are calculated based on a predetermined formula. Christel House International, Inc. invoices the Academy monthly for the amount due. During the years ended June 30, 2013 and 2012, \$940,872 and \$1,155,927 was expensed for educational facility rent, respectively. Rent expense is net of rental reimbursement from Christel House DORS, Inc. of \$247,214 and \$20,849 for June 30, 2013 and 2012, respectively, as further explained in Note 7.

The Academy also leases three copiers from Ikon Financial Services. One lease expired in December of 2013 and the other copiers' lease will expire in March of 2015. During the years ended June 30, 2013 and 2012, \$21,561 and \$21,001, respectively was expensed.

The future minimum rental payments required under the operating leases for the years subsequent to June 30, 2013 are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 1,191,379
2015	1,185,731
2016	1,183,848
2017	1,183,848
2018 and thereafter	6,609,818
	<u>\$ 11,354,624</u>

NOTE 6 - PENSION PLANS

The Academy elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011. The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. The Indiana Teachers' Retirement Fund (TRF) is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. Retirement plan expense for PERF and TRF was \$218,552 and \$225,960 for June 30, 2013 and 2012, respectively.

The Academy's faculty and certain administrative employees are participants in a 403(b) defined contribution retirement plan. All participants may contribute to the 403(b) Plan. The Academy offers an employer match of 1% of an employee's salary for those that contribute 2% or more of the same to the 403(b) Plan. In addition, employees have an option to opt out of PERF and TRF. If so, then employees receive an additional employer contribution to the 403(b) Plan of 10.5% of their salary if eligible for TRF or 10% if otherwise eligible for PERF. There was a total 403(b) employer contribution of \$117,972 and \$82,192 for the year ended June 30, 2013 and 2012, respectively.

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

NOTE 7 - RELATED PARTIES

The Academy has two affiliated organizations, Christel House DORS, Inc. and Christel House International, Inc.

Christel House DORS, Inc. (DORS), a separate legal entity, maintains a signed agreement with the Academy for the use of its employees and other administrative services. DORS reimburses the Academy for the expenses related to these assigned employees and administrative services. In addition, DORS rents its facility from the Academy.

Christel House International, Inc. (CHI) is an affiliated company of the Academy. CHI is a separately incorporated, not-for-profit organization that is not controlled by the Academy. The Academy rents its facility through CHI. If the Academy is unable to make a rental payment, it

accrues a short term advance to CHI. At June 30, 2013 and 2012 the Academy had \$355,814 and \$945,896, respectively recorded as short-term advance from Christel House International under current liabilities. The Academy also paid interest of \$59,287 and \$52,700 to CHI during the years ended June 30, 2013 and 2012, respectively.

During the year ended June 30, 2013 and 2012, the Academy received in-kind contributions from CHI of \$391,644 and \$370,738, respectively, as further explained in Note 1 under Contributed Materials and Services.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Mind Trust	\$ 155,967	\$ -
Title III	24	-
Camptown	-	9,980
Music Energy Grant	-	5,000
Classroom Innovation	-	24,621
Serve America	-	253
Drug Free	-	3,435
Nutritional	-	898
Tech Lift Challenge	1,046	1,046
Reading First	-	31,364
	<u>\$ 157,037</u>	<u>\$ 76,597</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. As of June 30, 2013 and 2012, the Academy had released the following restrictions:

	<u>2013</u>	<u>2012</u>
Camptown	\$ 9,980	\$ -
Music Energy Grant	5,000	-
Classroom Innovation	24,621	-
Serve America	253	-
Drug Free	3,435	-
Nutritional	898	-
Reading First	31,364	-
Walton Grant	-	18,064
	<u>\$ 75,551</u>	<u>\$ 18,064</u>

NOTE 9 – PRIOR PERIOD ADJUSTMENT

During 2012, the Academy discovered that the balance for the short-term advance from Christel House International was overstated by \$143,505 in the prior year. As a result, a prior period adjustment has been made to decrease the due to account balance and increase the balance in unrestricted net assets.

NOTE 10 - SUBSEQUENT EVENT

In preparing these financial statements, the Academy has evaluated subsequent events and transactions for potential recognition or disclosure through June 19, 2014, the date the financial statements were available to be issued.

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	<u>Program Service Expenses</u>	<u>Supporting Services</u>	
		Management and	Total
	<u>Academics</u>	<u>General</u>	<u>Expenses</u>
Salaries and benefits	\$ 3,505,537	\$ 208,443	\$ 3,713,980
Instructional services	458,317	-	458,317
Accounting and payroll services	-	105,056	105,056
Administrative services	17,036	348	17,384
Legal services	-	1,954	1,954
Recruitment and placement	9,249	1,036	10,285
Technology services	94,240	4,961	99,201
Professional development	72,568	-	72,568
Nursing services	46,341	-	46,341
Course materials and supplies	115,169	-	115,169
Nutritional support	410,820	-	410,820
Sales and marketing	19,869	-	19,869
Travel and entertainment	23,795	320	24,115
Athletics	36,763	-	36,763
Vehicle and transportation	208,291	-	208,291
Rent and facilities	919,377	21,496	940,873
Facilities (ins, utilities, maint)	552,591	11,277	563,868
Equipment rental	166,683	-	166,683
Depreciation and amortization	227,338	4,640	231,978
Interest expense	-	59,287	59,287
Miscellaneous	-	4,543	4,543
	<u>\$ 6,883,984</u>	<u>\$ 423,361</u>	<u>\$ 7,307,345</u>

See accompanying notes to the financial statements.

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Service <u>Expenses</u>	<u>Supporting Services</u>	
	<u>Academics</u>	Management and <u>General</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 3,495,692	\$ 185,677	\$ 3,681,369
Instructional services	375,859	-	375,859
Accounting and payroll services	-	93,779	93,779
Administrative services	18,433	970	19,403
Legal services	-	3,320	3,320
Recruitment and placement	4,588	242	4,830
Technology services	25,181	1,325	26,506
Professional development	50,104	-	50,104
Nursing services	46,341	-	46,341
Course materials and supplies	156,454	3,260	159,714
Nutritional support	340,145	-	340,145
Sales and marketing	14,779	778	15,557
Travel and entertainment	39,901	-	39,901
Vehicle and transportation	206,131	-	206,131
Facilities (ins., utilities, maint)	589,712	4,241	593,953
Rent and facilities	1,150,126	26,802	1,176,928
Depreciation and amortization	231,238	4,725	235,963
Interest expense	-	52,700	52,700
Small equipment purchases	40,963	2,156	43,119
Treasurer bond	-	5,941	5,941
Athletics	11,670	-	11,670
Miscellaneous	56,236	2,960	59,196
	<u>\$ 6,853,553</u>	<u>\$ 388,876</u>	<u>\$ 7,242,429</u>

See accompanying notes to the 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**

To the Board of Directors
of Christel House Academy, 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 Christel House Academy, 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 June 19, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Christel House Academy'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 Christel House Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Christel House Academy'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 Christel House Academy, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 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

A handwritten signature in black ink that reads "Sikich, LLP". The signature is written in a cursive, slightly slanted style.

Sikich LLP

Indianapolis, Indiana
June 19, 2014

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2012 - 2013	\$ 110,720
National School Lunch Program	10.555	FY 2012 - 2013	274,451
Summer Food Service Program for Children	10.559	FY 2012 - 2013	<u>19,188</u>
Total for Child Nutrition Cluster			<u>404,359</u>
Fresh Fruit and Vegetable Program	10.582	FY 2012 - 2013	<u>26,933</u>
Total for U.S. Department of Agriculture			<u>\$ 431,292</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 2012-2013 FY 2011-2012	3,715 <u>514,461</u>
Total for Title I, Part A Cluster			<u>518,176</u>
Special Education Cluster (IDEA)			
Special Education Grants to States	84.027	FY 2012-2014 FY 2011-2013	82,956 <u>84,008</u>
Total for program			<u>166,964</u>
Charter Schools	84.282	FY 2012-2013	<u>278,915</u>
Early Reading First	84.359	FY 2010 - 2011 FY 2009 - 2010	3,633 <u>27,731</u>
Total for program			<u>31,364</u>
Teacher Incentive Fund	84.374	FY 2012-2013 FY 2011-2012	167,222 <u>207,215</u>
Total for program			<u>374,437</u>

See accompanying notes to the financial statements.

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 (continued)
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through <u>Grantor/Program Title</u>	Federal CFDA <u>Number</u>	Pass-Through Entity Identifying <u>Number</u>	Total Federal <u>Expenditures</u>
ARRA-Education Job Fund*	84.410	FY 2010-2012	<u>15,148</u>
English Language Acquisition Grants	84.365	FY 2012 - 2014 FY 2011-2013	15,979 <u>6,982</u>
Total for program			<u>22,961</u>
Improving Teacher Quality State Grants	84.367	FY 2011-2013 FY 2010-2012	48,934 <u>26,503</u>
Total for program			<u>75,437</u>
Twenty-First Century Community Learning Centers	84.287	FY 2013-2014 FY 2012-2013	6,016 <u>147,041</u>
Total for program			<u>153,057</u>
Total U.S. Department of Education			<u>1,636,459</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,067,751</u>

* Grant relates to the American Recovery and Reinvestment Act of 2009

CHRISTEL HOUSE ACADEMY, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Christel House Academy, Inc. and is presented on the accrual basis of accounting. The information in these schedules 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 these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required.

NOTE 2 – OTHER

There were no amounts provided to subrecipients; there was no non-cash assistance; there was no federal insurance in effect; and there were no loans or loan guarantees with continuing compliance requirements.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM; REPORT ON INTERNAL CONTROL OVER
COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Christel House Academy, Inc.'s 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 Christel House Academy, Inc.'s major federal programs for the year ended June 30, 2013. Christel House Academy, Inc.'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 Christel House Academy, Inc.'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 Christel House Academy, Inc.'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 Christel House Academy, Inc.'s compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Christel House Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Christel House Academy, Inc.'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 Christel House Academy, Inc.'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.



Sikich LLP

Indianapolis, Indiana
June 19, 2014

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- Type of auditor’s report issued: **unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X No

Compliance:

- Noncompliance material to financial statements noted? _____ Yes X No

OMB Circular A-133:

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X No

Compliance with requirements applicable to each major program:

- Identification of major programs: **10.555, 10.553, 10.559 Child Nutrition Cluster**
84.027 Special Education Cluster
84.374 Teacher Incentive Fund
- Dollar threshold used to distinguish between type A type B programs: **\$ 300,000**
- Auditee qualified as low-risk auditee? X Yes _____ No
- Type of auditors’ 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 Circular A-133? _____ Yes X No

SECTION II – FINANCIAL STATEMENTS FINDINGS

- *None*

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- *None*

CHRISTEL HOUSE ACADEMY, INC.
OTHER REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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

Supplemental Audit Report of Christel House Academy, Inc.