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October 2, 2014

Charter School Board
Irvington Community School, Inc.
5751 E. University Avenue
Indianapolis, IN 46219

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 Irvington Community School, 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.

We call your attention to the finding in the report. Pages 28 and 29 contain one current audit finding. Management's response is on page 29.

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

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

IRVINGTON COMMUNITY SCHOOL, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Years Ended
June 30, 2013 and 2012

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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Irvington Community School, Inc.
Indianapolis, Indiana:

Report on the Financial Statements

We have audited the accompanying financial statements of Irvington Community School, 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 Irvington Community School, 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

Other Information

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 August 6, 2014, on our consideration of Irvington Community School, 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 the 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 Irvington Community School, Inc.'s internal control over financial reporting and compliance.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
August 6, 2014

IRVINGTON COMMUNITY SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012 (Restated)
CURRENT ASSETS:		
Cash and cash equivalents	$ 92,915	$ 18,075
Grants receivable	155	1,350
State support receivable, net of allowance of $3,321,893 and $0	-	3,217,208
Deposits with bond trustee - current portion	428,958	427,389
Prepaid expenses	10,196	4,643
Total Current Assets	532,224	3,668,665
PROPERTY AND EQUIPMENT:		
Furniture and equipment	594,135	549,290
Computer hardware	548,170	542,415
Computer software	103,686	101,677
Leasehold improvements	3,567,582	3,543,821
Books and educational materials	587,041	524,226
Building	3,858,083	3,858,083
Land	556,899	556,899
Less: accumulated depreciation	(2,606,172)	(2,162,971)
Total Property and Equipment, net	7,209,424	7,513,440
OTHER ASSETS:		
Deposits with bond trustee	781,400	781,400
Bond fees, net of amortization of $303,903 and $227,927, respectively	564,900	640,877
Total Other Assets	1,346,300	1,422,277
	$ 9,087,948	$ 12,604,382

See accompanying notes to financial statements.

IRVINGTON COMMUNITY SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

LIABILITIES AND NET ASSETS

	2013	2012 (Restated)
CURRENT LIABILITIES:		
Accounts payable	$ 600,408	$ 501,355
Line of credit	333,333	400,000
Current portion of obligation under capital leases	51,216	183,226
Current portion of bonds payable	126,511	116,712
Accrued interest	385,818	662,630
Deferred income	14	-
Accrued expenses	17,885	4,849
Total Current Liabilities	1,515,185	1,868,772
LONG TERM LIABILITIES:		
Common School Loan	-	2,709,425
Obligations under capital leases, net of current portion	67,500	85,175
Bonds payable, net of current portion	9,239,339	9,289,138
Total Long Term Liabilities	9,306,839	12,083,738
NET ASSETS:		
Unrestricted	(1,734,076)	(1,400,168)
Temporarialy restricted	-	52,040
Total Net Assets	(1,734,076)	(1,348,128)
	$ 9,087,948	$ 12,604,382

See accompanying notes to financial statements.

IRVINGTON COMMUNITY SCHOOL, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
School lunch program	$ 133,978	$ -	$ 133,978
Student and textbook fees	196,520	-	196,520
Before and after school programs	44,503	-	44,503
Contributions and donations	10,930	-	10,930
Grant revenue	2,048,425	-	2,048,425
State support	6,639,559	-	6,639,559
Rental revenue	7,865	-	7,865
Interest income	1	-	1
Other revenue	54,623	-	54,623
In-kind contributions	1,488	-	1,488
Net assets released from restrictions by satisfaction of temporary restrictions	52,040	(52,040)	-
Total Revenues and Support	9,189,932	(52,040)	9,137,892
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	8,045,558	-	8,045,558
Supporting services:			
General and administrative	1,091,941	-	1,091,941
Fundraising	9,114	-	9,114
Total Expenses	9,146,613	-	9,146,613
OPERATING REVENUE	43,319	(52,040)	(8,721)
NON-OPERATING REVENUE			
Loss due to changes in legislative funding	(377,227)	-	(377,227)
CHANGE IN NET ASSETS	(333,908)	(52,040)	(385,948)
NET ASSETS, beginning of year	(1,400,168)	52,040	(1,348,128)
NET ASSETS, end of year	$ (1,734,076)	$ -	$ (1,734,076)

See accompanying notes to financial statements.

IRVINGTON COMMUNITY SCHOOL, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

	Unrestricted (Restated)	Temporarily Restricted (Restated)	Total (Restated)
REVENUES AND SUPPORT:			
School lunch program	$ 188,817	$ -	$ 188,817
Student and textbook fees	242,323	-	242,323
Before and after school programs	39,867	-	39,867
Contributions and donations	37,777	-	37,777
Grant revenue	1,414,574	808	1,415,382
State support	6,434,417	-	6,434,417
Rental revenue	7,259	-	7,259
Interest income	438	-	438
Refund - interest expense	53,978	-	53,978
Other revenue	41,699	-	41,699
In-kind contributions	145,775	-	145,775
Net assets released from restrictions by satisfaction of temporary restrictions	55,100	(55,100)	-
Total Revenues and Support	8,662,024	(54,292)	8,607,732
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	8,521,728	-	8,521,728
Supporting services:			
General and administrative	685,498	-	685,498
Fundraising	11,400	-	11,400
Total Expenses	9,218,626	-	9,218,626
CHANGE IN NET ASSETS	(556,602)	(54,292)	(610,894)
NET ASSETS, beginning of year, as previously reported	(980,231)	106,332	(873,899)
PRIOR PERIOD ADJUSTMENT	136,665	-	136,665
NET ASSETS, beginning of year, as restated	(843,566)	106,332	(737,234)
NET ASSETS, end of year	$ (1,400,168)	$ 52,040	$ (1,348,128)

See accompanying notes to financial statements.

IRVINGTON COMMUNITY SCHOOL, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (385,948)	$ (610,894)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	519,177	464,756
Loss due to changes in legislative funding	377,227	-
(Increase) decrease in:		
Grants receivable	1,195	(331,499)
State support receivable	(104,685)	-
Prepaid expense	(5,553)	6,441
Increase (decrease) in:		
Accounts payable	99,053	109,357
Accrued expenses	13,036	1,590
Accrued interest	(41,571)	97,949
State Medicaid Deferred Revenue	14	-
NET CASH FROM OPERATING ACTIVITIES	471,945	(262,300)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in deposits with bond trustee	(1,569)	26
Purchases of property and equipment	(139,184)	(235,219)
NET CASH FROM INVESTING ACTIVITIES	(140,753)	(235,193)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (repayment) borrowings under line of credit agreement	(66,667)	400,000
Capital lease borrowings	48,192	147,378
Capital lease repayments	(197,877)	(278,438)
Long term debt repayments	(40,000)	(75,000)
NET CASH FROM FINANCING ACTIVITIES	(256,352)	193,940
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALANTS	74,840	(303,553)
CASH AND CASH EQUIVALENTS - beginning of year	18,075	321,628
CASH AND CASH EQUIVALENTS - end of year	$ 92,915	$ 18,075
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 799,558	$ 675,814

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Irvington Community School, Inc. (the "School") was incorporated in 2001, under the laws of the State of Indiana and commenced operations in September 2002. The School is an inner-city Indianapolis charter school that provides small, safe learning community where respectful behaviors are modeled and expected. The School's primary source of revenue and support are grants from the Indiana Department of Education.

Basis of Accounting **-** The financial statements of the School 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 School 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 School's activities. Amounts received and released in the same year are shown as unrestricted.
>
> ***Temporarily restricted net assets –*** Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. If a restriction is fulfilled in the same time period in which the contribution is received, the School reports the support as unrestricted. As of June 30, 2013 and 2012, the School has $0 and $52,040 of temporarily restricted net assets.
>
> ***Permanently restricted net assets -*** Net assets subject to donor-imposed stipulations require that they be maintained permanently by the School. Generally, the donors of these assets permit the School 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 School had no permanently restricted net assets.

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

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

Grant receivables are reported net of an allowance for doubtful accounts. There were no allowances, as of June 30, 2013 and 2012, based on management's estimate of the amount of receivables that will actually be collected. Grants 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 the geographic location of the school. The tuition is also indexed to the poverty data of the enrolled students and other factors. The payment schedule is likewise determined by state law.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 tuition support will be paid currently in monthly installments that coincide with the School'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 $3,321,893 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 School capitalizes additions of property and equipment 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 statements of activities.

Depreciation expense was $443,200 and $388,780 for the years ended June 30, 2013 and 2012, respectively.

Deposits with Bond Trustee – Deposits with bond trustee represent funds held by the trustee, as required by bond indentures and invested by the trustee in short-term marketable government-backed securities. The deposits are measured using quoted prices in active markets for identical securities. Such resources will be utilized to fund certain debt service reserve requirements pursuant to the respective bond indenture agreements.

Bond Fees - The School amortizes the loan fees on the straight-line method over the life of the bonds which is fifteen years. Amortization expense amounted to $75,977 and $75,976 for the years ended June 30, 2013 and 2012, respectively.

Impairment of Long-lived Assets - The School 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 year 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 School. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School received $1,488 and $145,775 of in-kind contributions during June 30, 2013 and 2012, respectively. At June 30, 2013, all in-kind contributions consisted of materials. At June 30, 2012, these amounts consisted of $350 of materials, $300 of services provided by various individuals and businesses provided at no charge and utilities of $145,125.

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 School Act. Under the Act, the School receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in equal monthly installments in January through December following the start of the academic school year. Revenue is recognized in the year in which the educational services are rendered. See Note 3 regarding legislative changes affecting revenue recognition.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under 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 School.

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 School expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2013 and 2012 was $12,701 and $21,360, respectively.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School 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 School is subject to examination by taxing authorities. The School'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 School currently files or has filed.

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

The School places its cash with financial institutions and limits the amount of credit exposure to any one financial institution. There were no cash amounts in excess of FDIC insured limits at June 30, 2013 and 2012.

Concentrations of credit risk with respect to grants receivable are limited due to the School'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 95% and 91% of the School's support and revenue in 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 School 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 School. Additionally, non-compliance in regards to federal and state standards and regulations could result in reduction of funding or repayment of disallowed costs.

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

Education - The School focuses on hiring the best available teaching talent and providing their teachers with the resources to ensure success in the classroom. This not only includes physical equipment, especially the use of the latest instructional technology, but also employing a performance management system to provide constructive ongoing feedback as a method of continuous improvement. Teachers are coached on developing effective instructional classroom management techniques beyond their school of education training, because ISTEP is the ultimate measure of success of the School's students and teachers in elementary and middle school. The School uses NWEA assessment in grades K-8 to track students' learning progress and prepare them for standardized testing in the spring. Classroom curriculum is, of course,

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES (Continued)

fine-tuned to prepare students for ISTEP. Similarly, the students receive the end of course assessment (ECA) several times during their high school career in preparation to qualify for graduation.

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 (i.e. 6 months in arrears). 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.

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

Forgiveness of Common School Fund loans	$ 2,883,087
Forgiveness of Common School Fund Accrued Interest	61,582
	2,944,669
Allowance for doubtful accounts related to changes in legislative funding	(3,321,893)
Net loss due to changes in legislation	$ (377,227)

NOTE 4 - OPERATING LEASES

The School leases multiple copiers from Toshiba Business Solutions. During June 30, 2013 and 2012, the School had required monthly payments of $2,861. At the end of 2012, the School agreed on a new lease with Toshiba Business Solutions, which expires January 2018, requiring monthly payments of $4,189. The School also leases a postage machine from Pitney Bowes. The lease, which expires March 2014, requires quarterly payments of $290. During the year ended June 30, 2013 and 2012, $50,283 and $60,015 was expensed, respectively.

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

Year	Amount
2014	$ 50,562
2015	50,272
2016	50,272
2017	50,272
2018 and thereafter	29,326
	$ 230,704

NOTE 5 - LINE OF CREDIT

The School has a $400,000 revolving bank line of credit expiring on July 10, 2013. At June 30, 2013 and 2012, there was $333,333 and $400,000 borrowed against this line, respectively. The line is unsecured. Interest varies with the prime rate as published in the Wall Street Journal (the "Index") plus 1.00%, which was 3.25% on June 30, 2013. Subsequently, the School has renewed the line of credit through July 15, 2014. As of the date of this report, the principal balance outstanding was $228,262.

NOTE 6 - PENSION PLAN

The School's faculty and certain administrative employees are participants in a 403(b) defined contribution retirement plan. All participants may contribute to the Plan. There was a total 403(b) employer contribution of $207,110 and $190,957 for the years ended June 30, 2013 and 2012, respectively.

The School 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 Employee's 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 expenses for PERF and TRF were $97,861 and $90,847 for the years 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 - LONG-TERM DEBT ACTIVITY

Long-term debt included the following at June 30, 2013 and 2012:

	2013	2012
Common School Loans:		
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 2028 (a)	$ -	$ 44,615
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 2029 (a)	-	234,500
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 2030 (a)	-	236,108
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in January 2031 (a)	-	282,732

NOTE 7 - LONG-TERM DEBT ACTIVITY (Continued)

Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 2031 (a)	-	299,740
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 2031 (a)	-	45,225
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in January 2032 (a)	-	11,429
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 2032 (a)	-	291,128
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 2032 (a)	-	381,658
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in January 2033 (a)	-	360,899
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in January 2033 (a)	-	521,391
Bonds Payable:		
Bonds Payable in semi - annual installments, including interest computed at 6.59%, Through maturity in December 2030 (b)	1,285,484	1,285,483
Bonds Payable in semi - annual installments, including interest computed at 7.75%, Through maturity in July 2023 (b)	1,040,000	1,040,000
Bonds Payable in semi - annual installments, including interest computed at 8%, Through maturity in July 2029 (b)	1,385,000	1,385,000
Bonds Payable in semi - annual installments, including interest computed at 9%, Through maturity in July 2039 (b)	5,325,000	5,325,000
Bonds Payable in semi - annual installments, including interest computed at 8.375%, Through maturity in July 2016 (b)	280,000	320,000
Bonds Premium Amortized, straight line, Through maturity in July 2014 (b)	50,366	50,367
Less: current maturities	(126,511)	(116,712)
Total Long-term Debt	$ 9,239,339	$ 11,998,563

NOTE 7 - LONG-TERM DEBT ACTIVITY (Continued)

The State of Indiana advanced funds from the Common School Fund to assist the School during its initial years of operations. Under the terms of the agreements with the State of Indiana, the School agreed to repay these loans through deductions from the School's share of State Tuition Support. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. The School has received forgiveness of its indebtedness under these obligations as of June 30, 2013.

(a) Qualified School Construction Bonds (QSCBs). Under the American Recovery and Reinvestment Act of 2009, the Federal Treasury created QSCBs tax credit bonds, which provide federal subsidy equal to 5% interest. The bonds are paid in semi-annual installments of $425,818 on January 1st and July 1st.

As a result of the issuance of bonds, the School is required to establish that certain funds be held by a trustee for the payment of principal, interest and cash reserves. These funds consist of the following:

	2013	2012
Bond Principal Fund:	$ 80,017	$ 75,008
Bond Interest Fund:	348,941	352,381
Bond Reserve Fund:	781,400	781,400
	$ 1,210,358	$ 1,208,789

At June 30, 2013, the debt service requirements of loans payable for school activities were as follows:

Year Ending	Total Principal	Total Interest	Total Debt Service
June 30,2014	$ 126,511	$ 781,073	$ 907,584
June 30,2015	133,992	771,893	905,885
June 30,2016	146,640	761,708	908,348
June 30,2017	154,469	750,922	905,391
June 30, 2018-and there after	8,804,238	11,613,836	20,418,074
	$ 9,365,850	$ 14,679,432	$ 24,045,282

Total interest expense during the years ended June 30, 2013 and 2012 was $757,987 and $911,055, respectively.

NOTE 8 - CAPITAL LEASE COMMITMENTS

The School leases equipment in the ordinary course of business. The School is obligated under multiple capital lease commitments which have various maturity dates, and require various monthly payments.

NOTE 8 - CAPITAL LEASE COMMITMENTS (Continued)

The assets and liabilities under capital leases are recorded at the fair value of the assets. The assets are depreciated over their estimated useful lives of five years. As leases expire, the School would normally expect to purchase the equipment. The leased equipment has a cost of $195,600. The amortization of these assets under the capital lease is included in depreciation expense.

At June 30, 2013 the required minimum capital lease payments are as follows for the years ended:

Years ending June 30,	Amount
2014	$ 77,950
2015	51,098
2016	10,908
Total future minimum lease payments	139,956
Less amount representing interest	(21,240)
Present Value of future minimum lease payments	$ 118,716

NOTE 9 - FAIR VALUE MEASUREMENTS

FASB guidance on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full-term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 9 - FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used.

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2013				
Restricted cash equivalents	$1,210,358	$ -	$ 1,210,358	$ -
Total	$1,210,358	$ -	$ 1,210,358	$ -

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2012				
Restricted cash equivalents	$1,208,789	$ -	$ 1,208,789	$ -
Total	$1,208,789	$ -	$ 1,208,789	$ -

The School has no assets or liabilities measured at fair value on a nonrecurring basis.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes the carrying values and estimated fair values of the School's financial instruments at June 30, 2013 and 2012.

NOTE 10 – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

		Fair Value		
	Carrying Value	(Level 1)	(Level 2)	(Level 3)
June 30, 2013				
Assets				
Cash and cash equivalents	$ 92,915	$ 92,915	$ -	$ -
Grants receivable	155	-	-	155
Restricted cash and cash equivalents	1,210,358	-	1,210,358	-
Liabilities				
Line of credit	333,333	-	-	333,333
Bonds and notes payable	10,875,701	-	10,875,701	-

		Fair Value		
	Carrying Value	(Level 1)	(Level 2)	(Level 3)
June 30, 2012				
Assets				
Cash and cash equivalents	$ 18,075	$ 18,075	$ -	$ -
Grants receivable	1,350	-	-	1,350
Restricted cash and cash equivalents	1,208,789	-	1,208,789	-
Liabilities				
Line of credit	400,000	-	-	400,000
Bonds and notes payable	11,231,776	-	11,231,776	-

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying statements of financial position at amounts other than fair value.

Cash and Restricted Cash Equivalents – Cash and restricted cash equivalents consist principally of investments in short-term, interest-bearing instruments and are carried at cost plus accrued interest, which approximates fair value. Restricted cash equivalents include the deposits with the bond trustee.

Grants Receivable – The carrying amount reported is recorded net of allowance for doubtful accounts and approximates its fair value.

Line of Credit – The carrying value of the line of credit is presumed to approximate the fair value.

Bonds and Notes Payable – The carrying value of the loans and bonds payable is calculated at fair value.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

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

	2013	2012
ARRA Title I	$ -	$ -
Title I	-	51,232
Early Intervention	-	808
	$ -	$ 52,040

During June 30, 2013 and 2012, 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.

	2013	2012
ARRA Title I	$ 51,232	$ 27,182
Title I	808	27,918
	$ 52,040	$ 55,100

NOTE 12 - PRIOR PERIOD ADJUSTMENT

During 2013, the School discovered that cash deposits held by the bond trustee were incorrectly included with bond issuance fees. This resulted in bond issuance fees being understated by $136,665 in prior years, as well as $68,332 in 2012. Accordingly, total assets were increased by $136,665 with an offsetting increase to net assets. The accompanying financial statements properly reflect the amortization expense and reclassification. The School also noticed that an in-kind contribution of $145,125 in utilities needed to be included in 2012. Accordingly, in-kind income and expenses were added in the prior year. The net changes for 2012 were an increase of in-kind revenue of $145,125 and an increase in expenses of $76,793, which included the in-kind expense and the decreased amortization expense.

NOTE 13 - SUBSEQUENT EVENT

In preparing these financial statements, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 6, 2014, the date the financial statements were issued. As of the date of this report, the fair market value of the bond obligations was $9,520,918.

IRVINGTON COMMUNITY SCHOOL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Service Expenses			Supporting Services		
	Grants	Academics	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 1,264,560	$ 4,170,455	$ 5,435,015	$ 618,120	$ -	$ 6,053,135
Instructional services	24,195	75,172	99,367	-	-	99,367
Information technology	66,823	342,012	408,835	43,316	-	452,151
Accounting services	-	-	-	92,289	-	92,289
Other outside services	-	72,670	72,670	88,376	5,000	166,046
Course materials/supplies	17,202	126,447	143,649	11,672	-	155,321
Nutritional support	1,522	367,428	368,949	-	-	368,949
Travel and entertainment	12,280	43,589	55,870	526	-	56,396
Vehicle/transportation expense	628	8,445	9,073	-	-	9,073
Facility occupancy costs	-	326,537	326,537	-	-	326,537
Depreciation and amortization	-	452,810	452,810	66,367	-	519,177
Interest expense	-	663,830	663,830	94,157	-	757,987
Insurance	-	-	-	77,118	-	77,118
Advertising expenses	-	8,587	8,587	-	4,114	12,701
Small equipment purchases	366	-	366	-	-	366
Grand Total	$ 1,387,576	$ 6,657,982	$ 8,045,558	$ 1,091,941	$ 9,114	$ 9,146,613

IRVINGTON COMMUNITY SCHOOL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Service Expenses			Supporting Services		
	Grants	Academics	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	832,893	4,762,047	5,594,940	312,038	11,400	5,918,378
Professional services	83,686	235,529	319,215	110,581	-	429,796
Information technology	-	132,308	132,308	6,964	-	139,272
Accounting and payroll services	-	88,542	88,542	4,660	-	93,202
Legal services	-	-	-	10,963	-	10,963
Cleaning services	-	113,193	113,193	5,958	-	119,151
Security services	-	18,054	18,054	950	-	19,004
Materials, supplies, fees, and postage	3,271	129,137	132,408	91,389	-	223,797
Nutritional support	-	325,077	325,077	3,145	-	328,222
Sales, marketing, and community relations	-	24,839	24,839	1,307	-	26,146
Travel and entertainment	-	33,907	33,907	23,322	-	57,229
Vehicle and transportation expense	1,616	36,071	37,687	-	-	37,687
Facility occupancy costs	-	322,107	322,107	16,952	-	339,059
Depreciation and amortization	-	441,517	441,517	23,239	-	464,756
Interest expense	-	865,502	865,502	45,553	-	911,055
Insurance	-	50,605	50,605	2,663	-	53,268
Small equipment purchases	-	20,833	20,833	1,096	-	21,929
Miscellaneous	-	994	994	24,718	-	25,712
	921,466	7,600,262	8,521,728	685,498	11,400	9,218,626

See accompanying notes to the financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROLS 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 Irvington Community School, 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 Irvington Community School, 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 August 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Irvington Community School, Inc.'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 Irvington Community School, Inc.'s, internal control. Accordingly, we do not express an opinion on the effectiveness of Irvington Community School, Inc.'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, we identified certain deficiencies in internal control that we consider to be material weaknesses. These are related to the amortization of bond issuance costs and in-kind contributions.

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 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.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
August 6, 2014

IRVINGTON COMMUNITY SCHOOL, INC.
2013
Schedule of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	FY 2011-2012	$ 265,298
Total for U.S. Department of Agriculture			265,298
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 2011-2012	34,929
		FY 2012-2013	541,625
Total for Title I, Part A Cluster			576,554
Special Education Cluster (IDEA)			
Special Education Grants to States (IDEA, Part B)	84.027	FY 2012-2014	157,365
Charter Schools	84.282	FY 2012-2013	385,875
Improving Teacher Quality State Grants	84.367	FY 2012-2014	82,866
ARRA - Education Job Fund	84.410**	FY 2011-2012	3,239
Teacher Incentive Fund	84.374*	FY 2011-2012	108,104
		FY 2012-2013	250,860
			358,964
Total U.S. Department of Education			1,564,863
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,830,161

** Indicates a major program*
*** Grant relates to the American Recovery and Reinvestment Act*

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

IRVINGTON COMMUNITY SCHOOL, 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 Irvington Community School, Inc. 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 these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - OTHER

There were no amounts provided to sub-recipients; 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.

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

To the Board of Directors
of Irvington Community School, Inc.
Indianapolis, Indiana:

Report on Compliance for Each Major Federal Program

We have audited Irvington Community School, 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 Irvington Community School, Inc.'s major federal programs for the year ended June 30, 2013. Irvington Community School, 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 Irvington Community School, 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 Irvington Community School, 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 Irvington Community School, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Irvington Community School, 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 Irvington Community School, 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 Irvington Community School, 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 Irvington Community School, 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

Sikich LLP

Indianapolis, Indiana
August 6, 2014

IRVINGTON COMMUNITY SCHOOL, INC.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued:	unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	___ no
Deficiencies identified that are not considered to be material weaknesses?	___ yes	X 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
Deficiencies identified that are 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 Circular A-133, Section510(a)?	___ yes	X no

Identified of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I, Grant to Local Educational Agencies
84.374	Teacher Incentive Fund

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?	___ yes	X no

SECTION II – FINANCIAL STATEMENTS FINDINGS

2013-01: Prior Period Adjustment

Condition: During the audit, management brought it to our attention its concerns with how bond transactions and in-kind utilities had been recorded in prior periods. Sikich proposed several material prior period adjustments to correct the financial statements. In aggregate the correcting entries increased total assets by $204,997. There was also an increase of in-kind revenue of $145,125 and an increase in expenses of $76,793, which included the in-kind expense and the decreased amortization expense. We consider this finding to be a material weakness in internal control over financial reporting.

Criteria: Organizations are responsible to maintain a system of internal control over the preparation of financial statements including all required footnotes that are free from material errors and are in accordance with generally accepted accounting principles (GAAP).

Cause: The contracted bookkeeping service did not appropriately record bond transactions or record the in-kind donation of utilities.

Effect: Financial statements are not presented in accordance with GAAP prior to recording proposed entries.

Recommendation: We recommended and management has made the proposed correcting journal entries as of June 30, 2013 and review current controls and procedures in place to reasonably ensure future financial statements are free of material misstatements.

Management Corrective Action: Effective immediately, the Chief Financial Officer will review and modify controls and procedures to address material weaknesses.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Note: The prior audit contained no findings