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October 8, 2014

Charter School Board
Carpe Diem Indiana, Inc.
2240 North Meridian Street
Indianapolis, IN 46208

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 Carpe Diem Indiana, 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 Carpe Diem Indiana, 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

CARPE DIEM INDIANA, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Year Ended
June 30, 2013

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8555 N. River Rd., Suite 300
Indianapolis, Indiana 46240

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Carpe Diem Indiana, Inc.
Indianapolis, Indiana:

Report on the Financial Statements

We have audited the accompanying financial statements of Carpe Diem Indiana, Inc. (an Indiana non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 Examiner,* 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 Carpe Diem Indiana, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2014, on our consideration of Carpe Diem Indiana, 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 Carpe Diem Indiana, Inc.'s internal control over financial reporting and compliance.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
July 22, 2014

CARPE DIEM INDIANA, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

CURRENT ASSETS:	
Cash	$ 35,490
Total Current Assets	35,490
PROPERTY AND EQUIPMENT:	
Buildings & Improvements	$ 213,681
Computer Equipment	165,980
Equipment	119,304
Less: accumulated depreciation	(68,166)
Total Property and Equipment, net	430,799
OTHER ASSETS:	
Security Deposits	22,770
	$ 489,059

See accompanying notes to financial statements.

CARPE DIEM INDIANA, INC.
STATEMENT OF FINANCIAL POSITION
(continued)
JUNE 30, 2013

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Current portion of note payable	$ 92,944
Line of Credit	349,822
Total Current Liabilities	442,766
LONG-TERM LIABILITIES:	
Note Payable	354,942
Total Long-term Liabilities	354,942
NET ASSETS:	
Unrestricted	(308,649)
Total Net Assets	(308,649)
	$ 489,059

CARPE DIEM INDIANA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

	Unrestricted
REVENUES AND SUPPORT:	
Contributions and donations	$ 9,140
Grant revenue	676,042
State support	612,872
Other revenue	14
Total Revenues and Support	1,298,068
PROGRAM AND SUPPORTING SERVICE EXPENSES:	
Program services	1,472,588
Supporting services:	
General and administrative	134,129
Total Expenses	1,606,717
CHANGE IN NET ASSETS	(308,649)
NET ASSETS, beginning of year	-
NET ASSETS, end of year	$ (308,649)

See accompanying notes to financial statements.

CARPE DIEM INDIANA, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2013

		2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$	(308,649)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation		68,166
(Increase) decrease in:		
Deposit		(22,770)
NET CASH USED BY OPERATING ACTIVITIES:		(263,253)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment		(498,965)
NET CASH USED BY INVESTING ACTIVITIES		(498,965)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit borrowings		349,822
Temporary loans borrowings		100,000
Temporary loans repayments		(100,000)
Long-term debt borrowings		500,000
Long-term debt repayments		(52,114)
NET CASH PROVIDED BY FINANCING ACTIVITIES:		797,708
NET INCREASE IN CASH		35,490
CASH - beginning of year		-
CASH - end of year	$	35,490
SUPPLEMENTAL DISCLOSURES		
Interest paid or incurred	$	28,702

See accompanying notes to financial statements.

CARPE DIEM INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Carpe Diem Indiana, Inc. (the “School”) was incorporated in April 2012, under the laws of the State of Indiana and commenced operations in July 2012. The School 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 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.
>
> ***Temporarily restricted net assets -*** Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of June 30, 2013, the School has no 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, the School had no permanently restricted net assets.

Cash - 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.

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

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 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 5 to 10 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 $68,166 for the year ended June 30, 2013.

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.

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.

The School did not receive any in-kind contributions during the years ended June 30, 2013.

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 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 year ended June 30, 2013 was $47,270.

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.

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 2012 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 and Credit Risk - Financial instruments that potentially subject the School to concentrations of credit risk consist principally of temporary cash investments and grants receivable.

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

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 47% of the School's support and revenue for the year ended June 30, 2013. 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.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Education - The School offers education, special education, and instructional staff training programs for grades K-10. 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 School 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 School's core educational program. 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 School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 will no longer be paid.

For the year ended June 30, 2013, the effect of these legislative amendments had no impact on the School.

NOTE 4 - OPERATING LEASES

The School leases space and equipment. The lease agreement requires monthly payments of $15,974 and $200 for building space and a copier. For the year ended June 30, 2013, total building and equipment rent expense totaled $170,309.

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

Year	Amount
2014	$ 196,006
2015	197,942
2016	199,897
2017	199,874
2018 and thereafter	975,285
	$1,769,004

NOTE 5 - PENSION PLAN

401(k) Plan

The School's faculty and certain administrative employees are participants in a 401(k) tax deferred contribution retirement plan. All participants may contribute to the Plan. The School contributes 10% of the employee's gross wages to the Plan.

There was a total 401(k) contribution of $3,826 for the year ended June 30, 2013.

NOTE 6 – RELATED PARTIES

The School has two affiliated organizations, Carpe Diem Arizona, Inc. and Carpe Diem Learning Systems, Inc.

Carpe Diem Arizona, Inc. (CDAZ) is an affiliated company of the School. CDAZ is a separately incorporated, not-for-profit organization that is not controlled by the School. Before the School had the functionality to purchase fixed assets or supplies to begin operations for the 2012-2013 school year, CDAZ purchased the necessary fixed assets and supplies, which were shipped to the School, to begin the operations of the School as schedule. The School reimbursed CDAZ for purchases during the 2012-2013 school year. These purchases and reimbursements were approximately $307,000. In addition to the purchase of fixed assets and supplies, the School paid CDAZ $25,500 for curriculum for the 2012-2013 school year.

Carpe Diem Learning Systems, Inc. (CDLS) is an affiliated company of the School. CDLS is a separately incorporated, for-profit organization that is not controlled by the School. During the 2012-2013 school year, the School borrowed and repaid a $100,000 interest-free temporary start-up loan from CDLS.

NOTE 7 – LINE OF CREDIT

The School maintains a $350,000 line of credit, which expires on June 27, 2014. At June 30, 2013, there was $349,822, borrowed against this line. The line is secured by the assets of the School. Interest varies with the LIBOR rate plus 3.5% at June 30, 2013 and is payable monthly. Interest expense was $13,468 for the year ended June 30, 2013.

NOTE 8 – LONG-TERM DEBT

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

IFF Note Payable in monthly installments, including interest computed at 5%, Through maturity in November 1, 2017	$ 447,886
Total debt	447,886
Less: current maturities	(92,944)
Total Long-term Debt	$ 354,942

At June 30, 2013, the debt payments of note payable are as follows:

Year	Amount
June 30,2014	$ 92,944
June 30,2015	97,699
June 30,2016	102,698
June 30,2017	107,952
June 30,2018 - and thereafter	46,594
	$ 447,886

Total interest expense during the year ended June 30, 2013 was $13,936.

NOTE 9 - SUBSEQUENT EVENT

In preparing these financial statements, the School has evaluated subsequent events and transactions for potential recognition or disclosure through July 22, 2014, the date the financial statements were available to be issued.

CARPE DIEM INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Services	Supporting Services	
	Academics	Management and General	Total Expenses
Salaries and benefits	$ 721,615	$ 11,706	$ 733,321
Instructional services	53,962	37	53,999
Professional services	265,620	27,340	292,960
Course materials and supplies	27,406	7,581	34,987
Advertising	26,032	21,238	47,270
Bank service charges	1,612	220	1,832
Dues and fees	10,508	-	10,508
Rent and facilities	143,060	27,250	170,310
Food purchases	2,092		2,092
Insurance	31,848	339	32,187
Small equipment purchases	24,749	-	24,749
Postage and printing	202	-	202
Facilities expense	91,661	1,343	93,005
Professional development	9,217	1,257	10,474
Travel	1,719	234	1,953
Interest expense	1,298	27,404	28,702
Depreciation and amortization	59,986	8,180	68,166
	$ 1,472,588	$ 134,129	$ 1,606,717

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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 Carpe Diem Indiana, 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 Carpe Diem Indiana, Inc., which comprise the statements 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 July 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carpe Diem Indiana, 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 Carpe Diem Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Carpe Diem Indiana, Inc.'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 Carpe Diem Indiana, 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.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
July 22, 2014

CARPE DIEM INDIANA, 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 Carpe Diem Indiana, Inc.