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December 16, 2014

Charter School Board
Indiana Math and Science Academy-Indianapolis, Inc.
4575 W. 38th Street
Indianapolis, IN 45254

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Indiana Math and Science Academy-Indianapolis, Inc., as of June 30, 2013, and the results of its operations for the period then ended, on the basis of accounting described in the report.

Pages 23 and 24 contain the status of two prior audit findings.

In addition to the report presented herein, a Supplemental Audit Report for Indiana Math and Science Academy-Indianapolis, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

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

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

INDIANA MATH AND SCIENCE ACADEMY –
INDIANAPOLIS, INC.

Financial Statements and Federal Single Audit Report

June 30, 2013 and 2012

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Indiana Math and Science Academy – Indianapolis, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Indiana Math and Science Academy – Indianapolis, Inc.** (the "School"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Math and Science Academy - Indianapolis, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2014 on our consideration of Indiana Math and Science Academy – Indianapolis, Inc.’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indiana Math and Science Academy – Indianapolis, Inc.’s internal control over financial reporting and compliance.



Indianapolis, IN
January 7, 2014

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

Statements of Financial Position

Assets	June 30	
	2013	2012
Current assets:		
Cash	\$ 440,169	244,121
Note receivable	-	100,000
Accounts receivable:		
State education support	-	1,797,955
Grants	63,488	182,089
Prepaid expenses	-	25,465
Total current assets	<u>503,657</u>	<u>2,349,630</u>
Property and equipment:		
Textbooks and library books	210,379	188,028
Leasehold improvements	394,191	306,271
Furniture and equipment	883,070	842,407
Less: accumulated depreciation	(841,886)	(620,377)
Property and equipment, net	<u>645,754</u>	<u>716,329</u>
	<u>\$ 1,149,411</u>	<u>3,065,959</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 224,676	437,126
Accrued interest on Common School Fund loans	-	220,279
Deferred rent payable	30,638	15,026
Long-term debt	-	2,109,144
Total liabilities	<u>255,314</u>	<u>2,781,575</u>
Unrestricted net assets	<u>894,097</u>	<u>284,384</u>
	<u>\$ 1,149,411</u>	<u>3,065,959</u>

See accompanying notes to financial statements.

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

Statements of Activities

	Year Ended June 30	
	2013	2012
<u>Revenue and Support</u>		
State education support	\$ 3,428,594	3,596,071
Grant revenue	1,090,366	1,161,434
Student fees	47,031	52,041
Interest	590	1,060
Contributions	155	375
Other	20,380	11,396
Total revenue and support	<u>4,587,116</u>	<u>4,822,377</u>
<u>Expenses</u>		
Program services:		
Educational instruction	2,896,838	2,893,848
Education support	761,916	814,563
Administrative	1,018,141	1,274,596
Total expenses	<u>4,676,895</u>	<u>4,983,007</u>
Decrease in net assets before non-operating revenue	(89,779)	(160,630)
<u>Non-Operating Revenue</u>		
Gain due to changes in legislative funding	<u>699,492</u>	<u>-</u>
Increase (decrease) in net assets	609,713	(160,630)
Net assets, beginning of year	<u>284,384</u>	<u>445,014</u>
Net assets, end of year	<u>\$ 894,097</u>	<u>284,384</u>

See accompanying notes to financial statements.

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

Statements of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
<u>Operating Activities</u>		
Change in net assets	\$ 609,713	(160,630)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	(699,492)	-
Depreciation	221,509	222,978
Change in:		
Accounts receivable	202,259	(41,151)
Prepaid expenses	25,465	(5,361)
Accounts payable and accrued expenses	(128,084)	89,038
Deferred rent payable	15,612	15,026
Refundable advances	-	(19,281)
Net cash provided by operating activities	<u>246,982</u>	<u>100,619</u>
<u>Investing Activities</u>		
Acquisition of property and equipment	(150,934)	(177,363)
Loans to affiliated entity, net of repayments	100,000	(50,000)
Net cash used by investing activities	<u>(50,934)</u>	<u>(227,363)</u>
Net increase (decrease) in cash	196,048	(126,744)
Cash, beginning of year	<u>244,121</u>	<u>370,865</u>
Cash, end of year	<u>\$ 440,169</u>	<u>244,121</u>
Supplemental disclosures:		
Cash paid for interest expense	\$ -	-

See accompanying notes to financial statements.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

General

Indiana Math & Science Academy – Indianapolis, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Subsequent Events

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

Reclassifications

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

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in January through December following the start of the school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the School’s revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Textbooks and library books	5 years
Leasehold improvements.....	10-15 years
Furniture and equipment	3-5 years

Taxes on Income

Indiana Math & Science Academy – Indianapolis, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2013 and 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income, Continued

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2012, 2011, and 2010 are open to audit for both federal and state purposes.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 will no longer be paid.

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

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(2) Legislative Funding Changes, Continued

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans.....	\$2,109,144
Repayment of accrued interest on Common School Fund loans....	<u>304,645</u>
	2,413,789
Elimination of School funding	(1,714,297)
	<u>\$ 699,492</u>

(3) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 represented amounts due from the State of Indiana relating to the following sources:

Tuition support	\$1,717,553
Special education grant	74,815
Prime Time grant.....	<u>5,587</u>
	<u>\$1,797,955</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students and other factors. The payment schedule is likewise determined by state law with tuition support payable in equal monthly installments in the calendar year following the start of the academic school year. Effective July 1, 2013, tuition support will be paid in monthly installments that coincide with the School's fiscal year (see Note 2).

(4) Long-Term Debt

Long-term debt at June 30, 2012 was comprised of five separate notes payable to the Indiana Common School Fund. The notes required semi-annual payments of principal and interest over periods of four years and twenty years with interest at 4% per annum. In 2013 and 2012, the loans were under a moratorium on loan payments, but interest continued to accrue. In 2013, the outstanding loans and all accrued interest were repaid with funding appropriated from the State of Indiana general fund (see Note 2).

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(5) Leases

In 2007, the School executed a ten-year lease on a building used as its school facility under an operating lease agreement with Godby Redevelopment Company, LLC. The lease provides for monthly rental payments which increase annually over the term of the agreement. The School has the option to extend the lease for an additional five-year term. Under the lease, the School is also responsible for repairs, maintenance, and utilities.

The School also leases office equipment under two different operating leases which expire in June 2014 and February 2016, respectively.

Total lease expense for the years ended June 30, 2013 and 2012 was \$468,963 and \$465,932, respectively. A schedule of minimum lease obligations as of June 30, 2013 follows:

<u>Year Ended June 30:</u>	
2014	\$ 429,034
2015	436,034
2016	444,109
2017	447,555

(6) Retirement Plan

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are established by the INPRS Board. For the years ended June 30, 2013 and 2012, the School contributed 7.5% of compensation for teaching faculty to TRF. The contribution to PERF for other employees was 7.5% of compensation until December 31, 2012, and 9.0% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$158,519 and \$132,324 for the years ended June 30, 2013 and 2012, respectively.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this agreement totaled \$49,528 and \$113,507 for the years ended June 30, 2013 and 2012, respectively. The charter remains in effect until August 1, 2014.

The School has contracted with Concept Schools, Inc. to provide on-going training and consultation, personnel, recruitment and admissions, and other services. Under the terms of the agreement, the School has agreed to pay an amount equal to 10% of revenues, as defined, for such services. Payments under this agreement totaled \$150,987 and \$357,983 for the years ended June 30, 2013 and 2012, respectively. This agreement is renewable annually.

(8) Risks and Uncertainties

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

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

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

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(9) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the years ended June 30, 2013 and 2012:

	<u>2013</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>
Salaries and wages.....	\$1,472,443	63,297	378,340
Employee benefits	403,740	19,672	105,194
Staff development and recruitment.....	50,419	-	-
Academic services	-	-	150,987
Authorizer's oversight fee.....	-	-	49,527
Food service	-	229,263	-
Transportation service	-	333,767	-
Other professional services	104,416	12,862	136,142
Textbooks	26,903	-	-
Classroom, kitchen and office supplies.....	65,193	22,976	36,925
Equipment rental and expense..	45,307	22,333	-
Occupancy	506,304	33,430	-
Depreciation	221,509	-	-
Interest	-	-	84,366
Insurance	-	-	35,478
Other.....	<u>604</u>	<u>24,316</u>	<u>41,182</u>
	<u>\$2,896,838</u>	<u>761,916</u>	<u>1,018,141</u>

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	<u>2012</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>
Salaries and wages.....	\$1,522,212	109,906	410,271
Employee benefits	364,315	22,850	98,346
Staff development and recruitment.....	30,015	-	-
Academic services	-	-	357,983
Authorizer's oversight fee.....	-	-	113,507
Food service	-	270,229	-
Transportation service	-	318,215	-
Other professional services	80,557	11,682	79,960
Textbooks	52,793	-	-
Classroom, kitchen and office supplies.....	51,367	22,710	45,597
Equipment rental and expense..	44,398	26,170	-
Occupancy	524,920	7,294	-
Depreciation	222,978	-	-
Interest	-	-	84,366
Insurance	-	-	26,307
Other	<u>293</u>	<u>25,507</u>	<u>58,259</u>
	<u>\$2,893,848</u>	<u>814,563</u>	<u>1,274,596</u>

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 63,675
National School Lunch Program	10.555		155,223
Total for cluster			<u>218,898</u>
 <u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	13-9785	401,523
Charter Schools Program	84.282		246,155
Improving Teacher Quality State Grants	84.367		44,026
ARRA--Education Jobs Fund	84.410		5,218
Total for federal grantor agency			<u>696,922</u>
Total federal awards expended			<u><u>\$ 915,820</u></u>

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

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Indiana Math & Science Academy – Indianapolis, Inc. (“the School”) under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Indiana Math and Science Academy – Indianapolis, Inc.** (the "School"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink, appearing to read "Raymond / Isaac LLC". The signature is written in a cursive, flowing style.

Indianapolis, IN
January 7, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited **Indiana Math and Science Academy – Indianapolis, Inc.**'s (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2013. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of Indiana Math and Science Academy – Indianapolis, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Raymond J. Francese

Indianapolis, IN
January 7, 2014

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditor's report issued on compliance for major program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

I. Summary of Auditor's Results, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.282	Charter Schools Program
84.010	Title I, Part A Cluster Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee: No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

FINDING NO. 2012-1 EMPLOYEE TIME REPORTING

Federal Agency: U.S. Department of Education
Pass-Through Agency: Indiana Department of Education
Federal Program: Grants to Local Educational Agencies Cluster
CFDA Number: 84.010 and 84.389
Award Year: FY 2011-12

Condition

This finding was a material weakness stating that the School did not maintain documentation in the form of time and attendance records in order to support the allocation of salary expense to the Title I program.

Recommendation

The auditor recommended the maintenance of time and attendance records for all personnel supported by federal programs and approved by a responsible School official.

Current Status

The recommendation was adopted. The School has implemented controls whereby time and attendance records are maintained for all personnel supported by federal programs. No similar finding was noted in the 2013 audit.

FINDING NO. 2012-2 ELIGIBILITY

Federal Agency: U.S. Department of Agriculture
Pass-Through Entity: Indiana Department of Education
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553 and 10.555
Year: FY 2011-12

Condition

This finding was a material weakness stating that processes were not in place to assure that students were correctly assigned meal benefits and that claims for meal reimbursement were accurate.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Summary Schedule of Prior Audit Findings, Continued

Year Ended June 30, 2013

Recommendation

The auditor recommended the development and implementation of a methodical process for the determination, documentation, and reporting of income eligibility be established and monitored for compliance.

Current Status

The recommendation was adopted. The School has established a process for determining, documenting, and reporting income eligibility. No similar finding was noted in the 2013 audit.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

Other Reports

Year Ended June 30, 2013

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

Supplemental Audit Report of Indiana Math and Science Academy – Indianapolis, Inc.

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