



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B44712

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 22, 2015

Charter School Board
21st Century Charter School, Inc.
d/b/a Fall Creek Academy
2540 N. Capitol Avenue
Indianapolis, IN 46208

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac, LLC, Independent Public Accountants, for the period July 1, 2013 to June 30, 2014. 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 21st Century Charter School, Inc. d/b/a Fall Creek Academy, as of June 30, 2014, 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 21st Century Charter School, Inc. d/b/a Fall Creek Academy 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

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

COMMUNITY CHARTER NETWORK, INC.
d/b/a
FALL CREEK ACADEMY

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-14
Supplementary Information:	
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
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 <i>Government Auditing Standards</i>	17-18
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	19-21
Schedule of Findings and Questioned Costs	22-23
Summary Schedule of Prior Audit Findings	24
Other Reports	25

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Community Charter Network, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Community Charter Network, Inc. d/b/a Fall Creek Academy**, which comprise the statements of financial position as of June 30, 2014 and 2013, 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 Community Charter Network, Inc. as of June 30, 2014 and 2013, 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 October 29, 2014 on our consideration of Community Charter Network, 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 Community Charter Network, Inc.'s internal control over financial reporting and compliance.



Indianapolis, IN
October 29, 2014

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Statements of Financial Position

Assets	June 30	
	2014	2013
Current assets:		
Cash	\$ 7,668	216,463
Accounts receivable:		
Grants	48,541	78,556
Other	36,312	1,596
Prepaid expense	60,322	30,172
Total current assets	<u>152,843</u>	<u>326,787</u>
Property and equipment:		
Leasehold improvements	443,381	426,948
Textbooks	39,676	34,905
Furniture and equipment	1,668,843	1,554,954
Less: accumulated depreciation	<u>(1,771,740)</u>	<u>(1,522,570)</u>
Property and equipment, net	<u>380,160</u>	<u>494,237</u>
	<u>\$ 533,003</u>	<u>821,024</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 162,312	192,662
Note payable	105,000	-
Current portion of long-term debt	11,140	150,236
Refundable advances	19,412	21,625
Total current liabilities	<u>297,864</u>	<u>364,523</u>
Long-term debt	<u>-</u>	<u>10,707</u>
Total liabilities	<u>297,864</u>	<u>375,230</u>
Unrestricted net assets	<u>235,139</u>	<u>445,794</u>
	<u>\$ 533,003</u>	<u>821,024</u>

See accompanying notes to financial statements.

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Statements of Activities

	Year Ended June 30	
	2014	2013
<u>Revenue and Support</u>		
State education support	\$ 3,537,929	3,353,618
Grant revenue	883,059	777,055
Management fees	249,874	-
Contributions	33,877	-
Student fees	10,753	12,438
Other income	12,389	36,970
Total revenue and support	<u>4,727,881</u>	<u>4,180,081</u>
<u>Expenses</u>		
Program services	3,573,533	3,270,769
Management and general	1,365,003	770,478
Total expenses	<u>4,938,536</u>	<u>4,041,247</u>
Change in net assets before non-operating items	(210,655)	138,834
<u>Non-Operating Revenue and Expense</u>		
Forgiveness of obligation to GEO Foundation	-	1,478,063
Loss due to changes in legislative funding	<u>-</u>	<u>(782,563)</u>
Change in net assets	(210,655)	834,334
Net assets (deficiency), beginning of year	<u>445,794</u>	<u>(388,540)</u>
Net assets, end of year	<u>\$ 235,139</u>	<u>445,794</u>

See accompanying notes to financial statements.

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
<u>Operating Activities</u>		
Change in net assets	\$ (210,655)	834,334
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	249,171	303,836
Forgiveness of obligation to GEO Foundation	-	(1,478,063)
Loss due to changes in legislative funding	-	782,563
Change in:		
Accounts receivable	(4,702)	(410,154)
Prepaid expense	(30,150)	(24,572)
Accounts payable and accrued expenses	(30,350)	17,825
Refundable advances	(2,213)	(1,939)
Net cash provided (used) by operating activities	<u>(28,899)</u>	<u>23,830</u>
<u>Investing Activities</u>		
Purchases of property and equipment	<u>(135,093)</u>	<u>(352,180)</u>
Net cash used by investing activities	<u>(135,093)</u>	<u>(352,180)</u>
<u>Financing Activities</u>		
Borrowings under line-of-credit, net of repayments	105,000	-
Net repayments of short-term notes payable	-	(35,000)
Proceeds from Common School Fund loan	-	419,094
Proceeds from long-term debt obligations	-	329,900
Principal repayments of long-term debt obligations	<u>(149,803)</u>	<u>(172,719)</u>
Net cash provided (used) by financing activities	<u>(44,803)</u>	<u>541,275</u>
Net increase (decrease) in cash	(208,795)	212,925
Cash, beginning of year	<u>216,463</u>	<u>3,538</u>
Cash, end of year	<u>\$ 7,668</u>	<u>216,463</u>
Supplemental disclosures:		
Cash paid for interest expense	\$ 3,915	8,325

See accompanying notes to financial statements.

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Community Charter Network, Inc. d/b/a Fall Creek Academy (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 is 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.

Revenue Recognition

Revenues generally 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 other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the 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.

Reclassifications

Certain figures for 2013 that were previously reported have been reclassified for comparative purposes.

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

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.

Taxes on Income

Community Charter Network, 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 School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2014 and 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

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 2013, 2012, and 2011 are open to audit for both federal and state purposes.

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:

Leasehold improvements.....	2 to 3 years
Textbooks	4 years
Furniture and equipment	3 to 5 years

COMMUNITY CHARTER NETWORK, INC.
d/b/a
FALL CREEK ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through October 29, 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.

(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 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 is 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 was eliminated.

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 applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

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

Repayment of Common School Fund loans.....	\$ 813,747
Repayment of accrued interest on Common School Fund loans.....	<u>80,499</u>
	894,246
Elimination of School funding	<u>(1,676,809)</u>
	\$ <u>(782,563)</u>

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Notes to Financial Statements

(3) Debt Forgiveness

The School terminated its management agreement with The Greater Educational Opportunities Foundation, Inc. ("GEO") effective June 30, 2012. As of June 30, 2012, the School owed GEO \$1,478,063 for building rental and services rendered under the management agreement. On July 26, 2012, GEO provided notice that it had forgiven this obligation by action of its Board of Directors in exchange for the School's commitment to purchase the school facility. The School simultaneously arranged for the purchase of the facility by Ivy Tech Foundation, Inc., and executed a two-year lease agreement with Ivy Tech Foundation, Inc. on the same facility (see Note 7). The effect of the debt forgiveness has been reflected in the accompanying statement of activities for the year ended June 30, 2013 as non-operating revenue.

(4) Accounting Correction

In 2014, the School discovered certain errors in the financial statements for the year ended June 30, 2013. Grant revenue had not been recorded in relation to expenses incurred in the amount of \$24,840, and a liability for compensation under teacher contracts was overstated in the amount of \$41,485. The School has corrected these errors in accounting by restating previously issued financial statements. The increase in net assets for the year ended June 30, 2013 has been increased by \$66,325 to reflect the effect of the corrections.

(5) Note Payable

The School has a \$350,000 revolving line-of-credit with The National Bank of Indianapolis. Drawings against the line-of-credit bear interest at the lender's prime rate (but not less than 3.75%) and are secured by all School assets and guaranteed by certain members of the Board of Directors. The School had drawings against the line-of-credit as of June 30, 2014 of \$105,000.

Under terms of the agreement, the School is also obligated to comply with certain restrictions regarding insurance, operation of the school, and use of loan proceeds. The loan agreement also requires the School to maintain a minimum debt coverage ratio. The School was not in compliance with this requirement for the year ending June 30, 2014.

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Notes to Financial Statements

(6) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Note payable to Aramark Educational Service, LLC.....	\$ 723	2,026
Note payable to The National Bank of Indianapolis	10,417	135,417
Note payable to Greater Education Opportunities Foundation Holdings Indiana, LLC.....	- <u>11,140</u>	<u>23,500</u> <u>160,943</u>
Less current maturities	<u>(11,140)</u>	<u>(150,236)</u>
	\$ <u>-</u>	<u>10,707</u>

The School entered into an installment agreement with Aramark Educational Services, LLC relating to the purchase of kitchen equipment. The agreement is non-interest bearing and provides for monthly installments of \$145 through August 2014.

The School entered into an installment agreement with Greater Education Opportunities Foundation Holdings Indiana, LLC relating to the purchase of a modular building. The agreement was non-interest bearing, provided for monthly installments of \$4,700 through November 2013, and was secured by the related assets.

The note payable to The National Bank of Indianapolis is payable in monthly installments of \$10,417. The note carries a variable interest rate equal to the lender's prime rate, but not less than 3.75% per annum. The loan is secured by all business assets and guaranteed by certain members of the Board of Directors.

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Notes to Financial Statements

(7) Leases

The School leases its school facility as well as certain items of office equipment under operating leases for terms from one to seven years. The facility lease, which expires in June 2016, requires monthly rental payments of \$8,500; however, the landlord has agreed to waive the rent obligation for the period July 2014 to June 2015. During this period, the School will only be responsible for utilities, maintenance, taxes, and assessments associated with the school facility. Expense under operating leases for the years ended June 30, 2014 and 2013 was \$186,440 and \$186,118, respectively. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year ending June 30:

2015	\$87,384
2016	143,670
2017	25,356
2018	22,248

(8) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2014 and 2013, the School had refundable grant advances in excess of expenditures of \$19,412 and \$21,625, respectively.

(9) Retirement Plans

The School offers retirement benefits for which substantially all full-time employees are eligible to participate. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan 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, 2014 and 2013, the School contributed 7.5% of compensation for teaching faculty to TRF.

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Notes to Financial Statements

(9) Retirement Plans, Continued

The School also offers a 403(b) defined contribution retirement plan provided by the Indiana Public Charter Schools Association. Non-teaching personnel and teachers who opt not to participate in TRF are eligible for benefits under the 403(b) plan. Under the 403(b) plan, the School contributes 7% of each employee's defined compensation.

For the years ended June 30, 2014 and 2013, retirement plan expense under both plans was \$156,744 and \$134,824, respectively.

(10) 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. Expense under this charter agreement for the years ended June 30, 2014 and 2013 was \$61,716 and \$46,644, respectively. The charter remains in effect until June 30, 2015, and is renewable thereafter by mutual consent.

(11) Risks and Uncertainties

The School provides educational 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, 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, 2014 and 2013, substantially all of the accounts receivable balance was due from the State of Indiana. Deposits are maintained at The National Bank of Indianapolis and are insured up to the FDIC insurance limit.

COMMUNITY CHARTER NETWORK, INC.
d/b/a
FALL CREEK ACADEMY

Notes to Financial Statements

(12) 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 between program and management services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2014 and 2013:

	<u>2014</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$1,507,852	778,677
Employee benefits	389,541	149,219
Staff development and recruitment	25,874	-
Professional services	314,953	203,654
Authorizer oversight fee	-	61,716
Academic services	-	65,520
Transportation	123,306	-
Food costs	264,024	-
Equipment rental and expense.....	81,862	-
Repairs and maintenance.....	61,979	-
Classroom, kitchen and office supplies...	89,304	40,561
Network connectivity	160,999	-
Occupancy	284,701	-
Depreciation	249,171	-
Interest	-	3,915
Insurance	805	25,201
Other	<u>19,162</u>	<u>36,540</u>
	<u>\$3,573,533</u>	<u>1,365,003</u>

COMMUNITY CHARTER NETWORK, INC.
d/b/a
FALL CREEK ACADEMY

Notes to Financial Statements

(12) Functional Expense Reporting, Continued

	<u>2013</u>	
	<u>Program Services</u>	<u>Management and General</u>
Salaries and wages.....	\$1,474,074	343,823
Employee benefits	398,545	81,602
Staff development and recruitment	14,926	-
Professional services	203,312	116,052
Authorizer oversight fee	-	46,644
Academic services	-	92,321
Transportation	98,450	-
Food costs	229,472	-
Equipment rental and expense.....	17,820	-
Repairs and maintenance.....	30,649	-
Classroom, kitchen and office supplies...	109,962	28,402
Network connectivity	60,764	-
Occupancy	298,797	-
Depreciation	303,836	-
Interest	-	33,805
Insurance	730	15,594
Other	<u>29,432</u>	<u>12,235</u>
	<u>\$3,270,769</u>	<u>770,478</u>

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

<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		\$ 48,962
National School Lunch Program	10.555		180,955
Total for cluster			<u>229,917</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	13-9370/14-9370	350,015
Special Education Cluster			
Special Education - Grants to States	84.027	14213-558-PN01	111,319
Improving Teacher Quality State Grants	84.367		3,912
Total for federal grantor agency			<u>465,246</u>
Total federal awards expended			<u>\$ 695,163</u>

See accompanying Independent Auditor's Report.

See accompanying notes to this schedule.

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Charter Network, Inc. d/b/a Fall Creek Academy (the "School") under programs of the federal government for the year ended June 30, 2014. 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
Community Charter Network, 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 **Community Charter Network, Inc., d/b/a Fall Creek Academy** (the "School"), which comprise the statement of financial position as of June 30, 2014, 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 October 29, 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 J. Hancock".

Indianapolis, IN
October 29, 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
Community Charter Network, Inc.

Report on Compliance for Each Major Federal Program

We have audited **Community Charter Network, Inc., d/b/a Fall Creek Academy'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, 2014. 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, Community Charter Network, 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, 2014.

Report on Internal Control Over Compliance

Management of Community Charter Network, 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.

A handwritten signature in black ink, appearing to read "Raymond J. Lance III". The signature is written in a cursive, flowing style.

Indianapolis, IN
October 29, 2014

COMMUNITY CHARTER NETWORK, INC.
d/b/a
FALL CREEK ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

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 programs:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

COMMUNITY CHARTER NETWORK, INC.
d/b/a
FALL CREEK ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I. Summary of Auditor's Results, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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.

COMMUNITY CHARTER NETWORK, INC.

d/b/a

FALL CREEK ACADEMY

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

FEDERAL AWARD FINDINGS

FINDING 2013-1 FINANCIAL REPORTING

Federal Agency:	U.S. Department of Education
Pass-Through Agency:	Indiana Department of Education
Federal Program:	Title I, Part A Cluster
CFDA Number:	84.010
Award Year:	FY 2012-13

Condition

The School did not create or maintain semi-annual certifications or other time and attendance records to support payroll charges to the Title I program.

Recommendation

The auditor recommended that the School implement a process for obtaining and retaining certifications, or other documentation, of the time spent by employees on Title I program activities.

Current Status

The recommendation was adopted. No similar finding was noted in the 2014 audit.

COMMUNITY CHARTER NETWORK, INC.
d/b/a
FALL CREEK ACADEMY

Other Reports

Year Ended June 30, 2014

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

Supplemental Audit Report of Community Charter Network, Inc.
d/b/a Fall Creek Academy

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*.