



STATE OF INDIANA
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January 23, 2015

Charter School Board
Central Indiana Military Academy, Inc.
d/b/a Anderson Preparatory Academy
101 W. 29th Street
Anderson, IN 46016

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 Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory 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.

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

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

CENTRAL INDIANA MILITARY ACADEMY, INC.

d/b/a

ANDERSON PREPARATORY ACADEMY

Financial Statements and Federal Single Audit Report

June 30, 2014 and 2013

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Central Indiana Military Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory 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.

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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 Central Indiana Military Academy, 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 November 20, 2014, on our consideration of Central Indiana Military Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Indiana Military Academy, Inc.'s internal control over financial reporting and compliance.



Indianapolis, IN
November 20, 2014

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Statements of Financial Position

	June 30	
Assets	2014	2013
Current assets:		
Cash	\$ 790,380	943,065
Grants receivable	39,758	37,491
Prepaid expenses	70,556	61,564
Total current assets	900,694	1,042,120
Property and equipment:		
Land	320,000	320,000
Buildings and improvements	2,635,346	2,588,095
Furniture and equipment	1,256,740	1,184,671
Textbooks	137,197	134,325
Vehicles	41,750	26,950
Less: accumulated depreciation	(1,504,480)	(1,135,337)
Property and equipment, net	2,886,553	3,118,704
	\$ 3,787,247	4,160,824
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 478,393	471,886
Current portion of long-term debt	101,474	95,705
Current portion of capital lease obligations	139,790	152,589
Total current liabilities	719,657	720,180
Long-term debt	1,768,392	1,874,142
Capital lease obligations	170,113	299,780
Total liabilities	2,658,162	2,894,102
Net assets:		
Unrestricted	1,055,994	1,207,809
Temporarily restricted	73,091	58,913
	1,129,085	1,266,722
	\$ 3,787,247	4,160,824

See accompanying notes to financial statements.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Statements of Activities

	<u>Year Ended June 30, 2014</u>			<u>Year Ended June 30, 2013</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>Revenue and Support</u>						
State education support	\$ 5,840,311	-	5,840,311	\$ 5,905,970	-	5,905,970
Grant revenue	592,120	-	592,120	771,462	-	771,462
Student fees	127,851	78,667	206,518	143,657	68,376	212,033
Contributions	20,330	6,165	26,495	20,853	-	20,853
Fundraising and other income	154,155	91,293	245,448	275,741	-	275,741
Net assets released from restrictions	161,947	(161,947)	-	9,463	(9,463)	-
Total revenue and support	<u>6,896,714</u>	<u>14,178</u>	<u>6,910,892</u>	<u>7,127,146</u>	<u>58,913</u>	<u>7,186,059</u>
<u>Expenses</u>						
Program services	5,808,547	-	5,808,547	5,584,685	-	5,584,685
Management and general	1,239,982	-	1,239,982	1,167,890	-	1,167,890
Total expenses	<u>7,048,529</u>	<u>-</u>	<u>7,048,529</u>	<u>6,752,575</u>	<u>-</u>	<u>6,752,575</u>
Change in net assets before non-operating revenue	(151,815)	14,178	(137,637)	374,571	58,913	433,484
<u>Non-Operating Revenue</u>						
Gain due to changes in legislative funding	-	-	-	197,144	-	197,144
Increase (decrease) in net assets	(151,815)	14,178	(137,637)	571,715	58,913	630,628
Net assets, beginning of year	<u>1,207,809</u>	<u>58,913</u>	<u>1,266,722</u>	<u>636,094</u>	<u>-</u>	<u>636,094</u>
Net assets, end of year	<u>\$ 1,055,994</u>	<u>73,091</u>	<u>1,129,085</u>	<u>\$ 1,207,809</u>	<u>58,913</u>	<u>1,266,722</u>

See accompanying notes to financial statements.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Statements of Cash Flows

	Year Ended June 30	
	2014	2013
<u>Operating Activities</u>		
Change in net assets	\$ (137,637)	630,628
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	369,142	405,339
Gain due to changes in legislative funding	-	(197,144)
Change in:		
Grants receivable	(2,267)	(36,715)
Prepaid expenses	(8,992)	(8,896)
Accounts payable and accrued expenses	6,507	159,671
Net cash provided by operating activities	226,753	952,883
<u>Investing Activities</u>		
Purchases of property and equipment	(122,192)	(240,319)
Net cash used by investing activities	(122,192)	(240,319)
<u>Financing Activities</u>		
Net repayments on line of credit	-	(72,261)
Principal reduction of capital lease obligations	(157,265)	(145,756)
Principal repayment of long-term debt	(99,981)	(93,794)
Net cash used by financing activities	(257,246)	(311,811)
Net increase (decrease) in cash	(152,685)	400,753
Cash, beginning of year	943,065	542,312
Cash, end of year	\$ 790,380	943,065
Supplemental disclosures:		
Equipment obtained under capital leases	\$ 14,800	158,448
Cash payments for interest expense	150,928	165,820

See accompanying notes to financial statements.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

General

Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory 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 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 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 other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and 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 amounts of costs and expenses at the time they are incurred.

Grants Receivable

Grants receivable relate primarily to activities funded under federal grants. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Financial Statement Presentation

The School reports its financial position and activities according to two classes of assets as follows:

- Unrestricted net assets, which represent net assets that the Board of Directors has discretionary control to use in carrying on the activities of the School in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent net assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

Contributions and Fees

The School receives resources from participation fees and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Central Indiana Military Academy, 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, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 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:

Buildings and improvements.....	10 to 40 years
Furniture and equipment	3 years
Textbooks	4 years
Vehicles	5 years

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through November 20, 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.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

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.....	\$2,861,915
Repayment of accrued interest on Common School Fund loans.	<u>289,892</u>
	3,151,807
Elimination of School funding	<u>(2,954,663)</u>
	\$ <u>197,144</u>

(3) Revolving Line of Credit

The School has a \$100,000 revolving line of credit to provide short-term financing, which is secured by all business assets. Bank advances on the credit line carry an interest rate of .75% above the prime rate. There were no advances outstanding on the line of credit as of June 30, 2014 and 2013.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(4) Long-Term Debt

Long-term debt at June 30, 2014 and 2013 was comprised of:

	<u>2014</u>	<u>2013</u>
Mortgage loan payable to Main Source Bank, payable in monthly installments of \$4,370 including interest at 5.5% per annum (adjustable every five years) through July 2026, secured by first and second mortgages on School facilities and all business assets.....	\$ 460,110	486,137
Mortgage loan payable to Main Source Bank, payable in monthly installments of \$3,632 including interest at 5.75% per annum (adjustable every five years) through March 2029, secured by a first mortgage on School facilities.....	403,483	419,219
Mortgage loan payable to IFF, payable in monthly installments of \$8,017 including interest at 6% per annum (adjustable every five years) through December 2025, secured by a first mortgage on School facilities and all property contained therein	797,753	844,553
Mortgage loan payable to IFF, payable in monthly installments of \$2,025 including interest at 6% per annum (adjustable every five years) through July 2026, secured by a second mortgage on School facilities and all property contained therein	<u>208,520</u>	<u>219,938</u>
	1,869,866	1,969,847
Less: current maturities	<u>(101,474)</u>	<u>(95,705)</u>
	<u>\$1,768,392</u>	<u>1,874,142</u>

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(4) Long-Term Debt, Continued

Principal maturities of long-term debt are as follows:

<u>Year Ended June 30:</u>	
2015	\$ 101,474
2016	112,059
2017	119,047
2018	126,395
2019	134,199
Thereafter	<u>1,276,692</u>
	<u>\$1,869,866</u>

(5) Leases

The School leases various items of equipment under capital leases. At June 30, 2014, the cost and accumulated depreciation relating to these assets were \$765,680 and \$673,123, respectively (\$750,880 and \$475,305 at June 30, 2013).

Following is a schedule of future minimum lease payments under capital leases and the present value of the net minimum lease payments as of June 30, 2014:

<u>Year Ended June 30:</u>	
2015	\$156,348
2016	155,319
2017	19,604
2018	<u>3,226</u>
	334,497
Less: amount representing interest	<u>(24,594)</u>
	<u>\$309,903</u>

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(5) Leases, Continued

The School also leases various items of equipment under operating leases. Total expense under these operating leases for 2014 and 2013 was \$50,558 and \$80,868, respectively. Minimum future rental payments as of June 30, 2014 for all operating leases with initial, noncancellable lease terms in excess of one year are as follows:

<u>Year ending June 30:</u>	
2015	\$6,454
2016	2,433
2017	949

(6) Retirement Plans

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 all participating personnel to TRF. All other employees are eligible to participate in a 403(b) plan offered through the Indiana Public Charter School Association. Under this plan, the School contributes 6% of compensation as defined. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2014 or 2013. These plans cover substantially all full-time employees. Retirement plan expense was \$225,357 and \$188,009 for the years ended June 30, 2014 and 2013, respectively.

CENTRAL INDIANA MILITARY ACADEMY, INC.

d/b/a

ANDERSON PREPARATORY ACADEMY

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 charter agreement were \$119,388 and \$81,136 for the years ended June 30, 2014 and 2013, respectively. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent.

The School executed a service contract for network and technology services. Under this contract, the School has committed to make annual payments of \$75,768 through April 1, 2015 with the option to purchase additional services for which the School is billed as services are provided. The School has the option to terminate the agreement with 30 days notice. Payments under this agreement were \$79,399 and \$74,210 for the years ended June 30, 2014 and 2013, respectively.

(8) Risks and Uncertainties

The School provides education instruction services to families residing in Madison 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, substantially all of the receivable balance was due from the State of Indiana. In addition, deposits maintained at MainSource Bank and Old National Bank and are insured up to the FDIC insurance limit.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(9) Accounting Correction

In 2014, it was determined that certain participant fees and revenue from fundraising events contained the characteristics of temporarily restricted net assets. These resources were provided with the intent that they be used for the specific school activity designated by the donor. This correction in accounting has been made by restating the financial statements for 2013 to reflect the classification of such assets as temporarily restricted. The correction had no effect on total net assets or the change in total net assets for 2013.

(10) 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/or 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.....	\$ 3,151,503	628,086
Employee benefits	824,819	150,538
Professional services	243,284	127,276
Staff development.....	15,381	7,022
Authorizer oversight fee.....	-	119,388
Transportation	2,406	-
Property rental and maintenance	315,489	-
Classroom, kitchen and office supplies...	317,404	22,907
Occupancy	422,407	-
Depreciation	369,142	-
Interest	115,864	35,064
Insurance	-	102,399
Other	<u>30,848</u>	<u>47,302</u>
	<u>\$ 5,808,547</u>	<u>1,239,982</u>

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY ACADEMY

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	2013	
	Program Services	Management and General
Salaries and wages.....	\$ 3,028,317	528,973
Employee benefits	721,904	117,322
Professional services	293,965	108,301
Staff development.....	16,295	9,730
Authorizer oversight fee	-	81,136
Transportation	391	-
Property rental and maintenance	282,435	-
Classroom, kitchen and office supplies...	320,190	38,162
Occupancy	385,879	-
Depreciation	405,339	-
Interest	122,733	157,564
Insurance	-	88,110
Other	7,237	38,592
	<u>\$ 5,584,685</u>	<u>1,167,890</u>

CENTRAL INDIANA MILITARY ACADEMY, INC.

d/b/a

ANDERSON PREPARATORY 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 National School Lunch Program	10.555		<u>\$ 75,926</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	13-9790 14-9790	26,653 281,061
Special Education Cluster Special Education - Grants to States	84.027	14213-521-PN01 14214-521-PN01	66,049 56,691
Improving Teacher Quality State Grants	84.367		9,484
Total for federal grantor agency			<u>439,938</u>
Total federal awards expended			<u>\$ 515,864</u>

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

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY 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 Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory 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
Central Indiana Military Academy, 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 **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy** (the "School"), which comprise the statements 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 November 20, 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 School'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 / Jane LLC".

Indianapolis, IN
November 20, 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
Central Indiana Military Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited **Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory 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, Central Indiana Military Academy, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Central Indiana Military Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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. Isaac III". The signature is written in a cursive, flowing style.

Indianapolis, IN
November 20, 2014

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY 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 program:	Unmodified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY 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: Yes

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.

CENTRAL INDIANA MILITARY ACADEMY, INC.
d/b/a
ANDERSON PREPARATORY 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 Central Indiana Military Academy, Inc.
d/b/a Anderson Preparatory 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*.