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March 13, 2015

Charter School Board  
Christel House Academy, Inc.  
2717 South East Street  
Indianapolis, IN 46225

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period July 1, 2013 to June 29, 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 Christel House Academy, Inc., as of June 29, 2014, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report. The report contains two financial statement findings. Please see the Schedule of Findings and Questioned Costs for complete details on the findings.

In addition to the report presented herein, a Supplemental Audit Report for Christel House Academy, 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, CPA  
State Examiner

**CHRISTEL HOUSE ACADEMY, INC.**

**FINANCIAL STATEMENTS**

For the period ended June 29, 2014 and the year ended June 30, 2013

CHRISTEL HOUSE ACADEMY, INC.

FINANCIAL STATEMENTS

For the period ended June 29, 2014 and the year ended June 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Christel House Academy, Inc.  
Indianapolis, Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of Christel House Academy, Inc. which comprise the statement of financial position as of June 29, 2014 and the related statements of activities, functional expenses, and cash flows for the period then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christel House Academy, Inc. as of June 29, 2014 and the changes in its net assets and its cash flows for the period 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 schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of financial position- school level, and the schedule of activities- school level are presented for purposes of additional analysis and are 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 other 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.

The financial statements of Christel House Academy, Inc. as of June 30, 2013, were audited by other auditors whose report dated June 19, 2014, expressed an unmodified opinion on those statements.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015 on our consideration of Christel House 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 Christel House Academy, Inc.'s internal control over financial reporting and compliance.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Indianapolis, Indiana  
March 2, 2015

CHRISTEL HOUSE ACADEMY, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 29, 2014 and June 30, 2013

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 698,820	\$ 201,717
Due from Christel House DORS, Inc.	5,416	22,731
Grants receivable	236,962	93,119
Prepaid expenses	<u>3,527</u>	<u>48,606</u>
Total current assets	944,725	366,173
Property and equipment, net	<u>570,517</u>	<u>684,301</u>
	<u>\$ 1,515,242</u>	<u>\$ 1,050,474</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 160,153	\$ 116,793
Due to Christel House International, Inc.	74,452	68,268
Advance from Christel House International, Inc., current	130,000	86,269
Accrued payroll	335,361	228,829
Accrued interest	<u>5,244</u>	<u>24,356</u>
Total current liabilities	705,210	524,515
Advance from Christel House International, Inc.	<u>139,545</u>	<u>269,545</u>
Total liabilities	<u>844,755</u>	<u>794,060</u>
Net Assets		
Unrestricted	400,531	99,377
Temporary restricted	<u>269,956</u>	<u>157,037</u>
Total net assets	<u>670,487</u>	<u>256,414</u>
	<u>\$ 1,515,242</u>	<u>\$ 1,050,474</u>

See accompanying notes to financial statements.

CHRISTEL HOUSE ACADEMY, INC.  
STATEMENTS OF ACTIVITIES  
Period ended June 29, 2014 and the year ended June 30, 2013

	----- Period ended June 29, 2014-----			-----Year ended June 30, 2013-----		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<b>Public support and revenues</b>						
State support	\$ 4,744,974	\$ -	\$ 4,744,974	\$ 4,447,219	\$ -	\$ 4,447,219
Grant revenue	1,950,914	-	1,950,914	2,129,305	155,991	2,285,296
Contributions	1,248,571	269,956	1,518,527	874,278	-	874,278
Reimbursements	-	-	-	47,484	-	47,484
School lunch program	30,334	-	30,334	31,319	-	31,319
Student fees	20,311	-	20,311	26,074	-	26,074
Other revenue	18,813	-	18,813	20,423	-	20,423
Textbook rental	6,238	-	6,238	2,914	-	2,914
Net assets released from restriction	<u>1,070</u>	<u>(1,070)</u>	<u>-</u>	<u>75,551</u>	<u>(75,551)</u>	<u>-</u>
Total public support and revenues	<u>8,021,225</u>	<u>268,886</u>	<u>8,290,111</u>	<u>7,654,567</u>	<u>80,440</u>	<u>7,735,007</u>
<b>Expenses</b>						
Program services						
Elementary School	4,207,421	-	4,207,421	3,735,496	-	3,735,496
Middle School	1,114,396	-	1,114,396	1,067,284	-	1,067,284
High School	<u>2,083,919</u>	<u>-</u>	<u>2,083,919</u>	<u>2,081,204</u>	<u>-</u>	<u>2,081,204</u>
Total program services	7,405,736	-	7,405,736	6,883,984	-	6,883,984
General and administrative	<u>470,302</u>	<u>-</u>	<u>470,302</u>	<u>423,361</u>	<u>-</u>	<u>423,361</u>
Total expenses	<u>7,876,038</u>	<u>-</u>	<u>7,876,038</u>	<u>7,307,345</u>	<u>-</u>	<u>7,307,345</u>
Change in net assets from operations	145,187	268,886	414,073	347,222	80,440	427,662
Non-operating activity						
Allowance due to changes in legislative funding	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,223,912)</u>	<u>-</u>	<u>(2,223,912)</u>
Change in net assets before clarification of donor intent	145,187	268,886	414,073	(1,876,690)	80,440	(1,796,250)
Clarification of donor intent (Note 1)	155,967	(155,967)	-	-	-	-
Net assets, beginning of period	<u>99,377</u>	<u>157,037</u>	<u>256,414</u>	<u>1,976,067</u>	<u>76,597</u>	<u>2,052,664</u>
Net assets, end of period	<u>\$ 400,531</u>	<u>\$ 269,956</u>	<u>\$ 670,487</u>	<u>\$ 99,377</u>	<u>\$ 157,037</u>	<u>\$ 256,414</u>

See accompanying notes to financial statements.

CHRISTEL HOUSE ACADEMY, INC.  
STATEMENTS OF CASH FLOWS  
Period ended June 29, 2014 and the year ended June 30, 2013

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 414,073	\$ (1,796,250)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	220,113	231,978
Allowance due to changes in legislative funding	-	2,223,912
Changes in assets and liabilities		
Due from Christel House DORS, Inc.	17,315	(22,731)
Grants receivable	(143,843)	(42,829)
State support receivable	-	(135,199)
Prepaid expense	45,079	15,697
Accounts payable	43,360	86,088
Due to Christel House International, Inc.	6,184	-
Accrued payroll	106,532	(8,695)
Accrued interest	(19,112)	8,259
Net cash provided from operating activities	<u>689,701</u>	<u>560,230</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>(106,329)</u>	<u>(63,564)</u>
Net cash from investing activities	<u>(106,329)</u>	<u>(63,564)</u>
<b>Cash flows from financing activities</b>		
Payments on advance from Christel House International, Inc.	<u>(86,269)</u>	<u>(590,082)</u>
Net cash from financing activities	<u>(86,269)</u>	<u>(590,082)</u>
Net change in cash and cash equivalents	497,103	(93,416)
Cash and cash equivalents, beginning of period	<u>201,717</u>	<u>295,133</u>
<b>Cash and cash equivalents, end of period</b>	<u>\$ 698,820</u>	<u>\$ 201,717</u>
Supplemental disclosures		
Interest paid	\$ 23,980	\$ 59,287
In-kind contributions	502,949	454,685

See accompanying notes to financial statements.



CHRISTEL HOUSE ACADEMY, INC  
 STATEMENTS OF FUNCTIONAL EXPENSES  
 Period ended June 29, 2014 and the year ended June 30, 2013

	----- Period ended June 29, 2014-----			-----Year ended June 30, 2013-----		
	<u>Program Services- Academics</u>	<u>Management and General</u>	<u>Total Expenses</u>	<u>Program Services- Academics</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 3,964,960	\$ 297,218	\$ 4,262,178	\$ 3,505,537	\$ 208,443	\$ 3,713,980
Instructional services	402,277	-	402,277	458,317	-	458,317
Accounting and payroll services	-	116,006	116,006	-	105,056	105,056
Administrative services	46,786	1,231	48,017	17,036	348	17,384
Legal services	-	513	513	-	1,954	1,954
Recruitment and placement	7,973	-	7,973	9,249	1,036	10,285
Technology services	20,725	561	21,286	94,240	4,961	99,201
Professional development	65,884	-	65,884	76,533	-	76,533
Nursing services	46,341	-	46,341	46,341	-	46,341
Course materials and supplies	132,765	-	132,765	111,204	-	111,204
Nutritional support	429,698	-	429,698	410,820	-	410,820
Marketing	45,951	460	46,411	19,869	-	19,869
Travel and entertainment	25,442	1,482	26,924	23,795	320	24,115
Athletics	17,206	-	17,206	36,763	-	36,763
Vehicle and transportation	210,252	-	210,252	208,291	-	208,291
Facilities rental	1,116,972	12,027	1,128,999	919,377	21,496	940,873
Facilities (insurance, utilities, maintenance)	467,204	9,403	476,607	552,591	11,277	563,868
Equipment rental	189,294	-	189,294	166,683	-	166,683
Depreciation and amortization	215,711	4,402	220,113	227,338	4,640	231,978
Interest expense	-	23,980	23,980	-	59,287	59,287
Miscellaneous	295	3,019	3,314	-	4,543	4,543
	<u>7,405,736</u>	<u>470,302</u>	<u>7,876,038</u>	<u>\$ 6,883,984</u>	<u>\$ 423,361</u>	<u>\$ 7,307,345</u>

See accompanying notes to financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of the Organization: - Christel House Academy, Inc. (the "Academy") was incorporated in October 2001, under the laws of the State of Indiana and commenced operations in September 2002. The Academy is an inner-city Indianapolis charter school that provides outstanding education to underserved children by maintaining high standards of academic rigor, efficiency, and accountability. The Academy's primary source of revenue and support is grants from the Indiana Department of Education.

The Academy offers education, special education, and instructional staff training programs for grades K-12. Education includes enhanced national and state-mandated educational objectives, implemented with a focus on character development and academic performance. Students participate in service learning projects and are exposed to an internationally focused perspective on the world. The Academy uses a curriculum designed to promote critical thinking skills, academic achievement, and personal development through the use of in-depth investigations that engage students in community, projects, and service. Special education is an addition to the Academy's core educational program. The instructional staff training program includes in house training on staff development days and off site training for teachers and interventionists.

During the period ended June 29, 2014, the Academy commenced operations in anticipation of the opening of the Christel House Academy West School. The financial statements include the activity of both schools. All material inter-organizational accounts and transactions have been eliminated.

Effective June 30, 2014, the board of Christel House Academy and the board of Christel House Academy DORS voted to merge operations. The financial statements of the Academy as of June 29, 2014, and the period from July 1, 2013 through June 29, 2014, presented in these statements represents Academy activity prior to the merger. These financial statements do not include any activity of the post-merger organization surviving under the same name.

Method of Accounting: The Academy maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The Academy is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Academy is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The Academy has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that 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 benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit will be recorded.

The Academy does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The Academy recognizes interest and/or penalties related to income tax matters in income tax expense. The Academy did not have any amounts accrued for interest and penalties at June 29, 2014 or June 30, 2013.

CHRISTEL HOUSE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
Period ended June 29, 2014 and the year ended June 30, 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Basis of Presentation: The Academy follows GAAP and reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Academy may be used at the discretion of management to support the Academy’s purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes assets of the Academy related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates.

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets of the Academy related to contributions and other inflows of assets whose use by the Academy is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Academy. The Academy had no permanently restricted net assets as of June 29, 2014 or June 30 2013.

Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. For the purpose of the statement of cash flows, the Academy considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. The Academy does not accrue interest on any of its grants receivables.

Allowances: No allowance for doubtful accounts is recorded as of June, 29, 2014 and June 30, 2013. Allowances are based upon prior experience and management’s analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The Academy currently considers all receivables to be fully collectible.

Property and Equipment: Expenditures for property and equipment and items in excess of \$1,000 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements	20-40 years
Machinery and equipment	3-5 years
Textbooks	3-5 years

Impairment of Long-Lived Assets: In accordance with GAAP, the Academy reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 29, 2014 and June 30, 2013, management believes that no impairment exists.

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(Continued)

CHRISTEL HOUSE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
Period ended June 29, 2014 and the year ended June 30, 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fair Value of Financial Instruments: Cash and cash equivalents and accounts payable approximate fair value because of the short maturity of these instruments. Accounts and grants receivable are not readily marketable. The Academy has estimated their fair value to be the carrying value. The carrying value of all the Academy's financial instruments approximate fair value.

Federal and State Grants: Support funded by grants is recognized as the Academy performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the Academy's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions: Contributions are recognized in the period that the promise to give is received. Unless specifically restricted by the donor, all contributions are considered available for unrestricted use. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support.

The Academy received \$493,675 and \$454,685 of in-kind contributions during the period ended June 29, 2014 and the year ended June 30, 2013, respectively. These amounts primarily consisted of rent (\$416,000 and \$391,644, respectively) provided at no charge by Christel House International, Inc.

Volunteers provide program services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under GAAP. These services include volunteering at events, picking up donations, and various clerical work

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

Functional Expense Allocation: The costs of providing the various programs and other activities have been summarized in the statement of activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. The allocation is based on a formula contained within the grant documents.

Costs are allocated to the programs and supporting services. Management periodically evaluates its allocation method and revises it when necessary. Management and general expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the Academy.

Advertising: The Academy expenses advertising costs as they are incurred. Advertising expense for the period ended June 29, 2014, and the year ended June 30, 2013 was \$18,592 and \$18,518.

Reclassifications: Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current period's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

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(Continued)

CHRISTEL HOUSE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
Period ended June 29, 2014 and the year ended June 30, 2013

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Clarification of Donor Intent: During the current period, the Academy received additional communication from a donor indicating that contributions previously restricted in the amount of \$155,967 were unrestricted in nature. As such, the amount was reclassified on the statement of activities. This reclassification had no impact on the change in net assets or total net assets.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 29, 2014, to determine the need for any adjustments or disclosures to the financial statements for the period ended June 29, 2014. Management has performed their analysis through March 2, 2015, the date the financial statements were available to be issued. See the "Description of the Organization" disclosure in Note 1 for further information.

**NOTE 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 Academy followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the Academy in the subsequent July through December time period, which represented amounts due for services rendered.

Effective July 1, 2013, school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to the Academy's academic year. As part of this legislative amendment, the funding owed to the Academy under prior legislation for the period July to December 2013 will no longer be paid.

For the year ended June 30, 2013, the effect of these legislative amendments has been reflected in the accompanying statement of activities as an allowance due to changes in legislative funding for \$2,223,912.

**NOTE 3 - GRANTS RECEIVABLE**

Grants receivable for the period ended June 29, 2014 and the year ended June 30, 2013 represent amounts due from the Indiana Department of Education relating to the following sources:

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
21st Century	\$ 16,827	\$ 6,016
Federal Special Ed	13,913	9,981
TIF/TAP	25,899	25,235
PCSP	132,321	-
Title I	45,992	51,561
Title II	2,010	-
Title III	<u>-</u>	<u>326</u>
	<u>\$ 236,962</u>	<u>\$ 93,119</u>

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(Continued)

CHRISTEL HOUSE ACADEMY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Period ended June 29, 2014 and the year ended June 30, 2013

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**NOTE 4 – PROPERTY AND EQUIPMENT**

The carrying value of land, buildings and equipment consists of the following:

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
Furniture and equipment	\$ 1,388,756	\$ 1,383,356
Leasehold improvements	92,209	92,209
Software	240,234	240,234
Textbooks	<u>100,346</u>	<u>100,346</u>
	1,821,545	1,816,145
Less: accumulated depreciation	<u>(1,351,958)</u>	<u>(1,131,844)</u>
	469,587	684,301
Deposit on furniture	<u>100,930</u>	<u>-</u>
	<u>\$ 570,517</u>	<u>\$ 684,301</u>

Depreciation expense for the period ended June 29, 2014 and the year ended June 30, 2013 was \$220,113 and \$231,978.

Deposit on furniture as of June 29, 2014, represented deposits paid on furniture and equipment for Christel House Academy West. The Academy has committed to pay an additional \$85,687 for this furniture and equipment.

**NOTE 5 - OPERATING LEASES**

The Academy entered into a 25 year lease with Christel House International, Inc. for educational facilities located at 2717 South East Street, Indianapolis, Indiana. The lease expires on June 30, 2034 with an option to extend the lease for two additional five year periods. Rent is adjustable annually based on various occupancy costs of Christel House International, Inc., however, in the absence of an agreement, the rent will continue to be in the amount last agreed upon. Christel House International, Inc. invoices the Academy monthly for the amount due. During the period ended June 29, 2014 and the year ended June 30, 2013, \$1,139,053 and \$940,872 was expensed for educational facility rent, respectively. Rent expense is net of rental reimbursement from Christel House DORS, Inc. of \$116,772 and \$208,229 for the period ended June 29, 2014 and the year ended June 30, 2013, respectively, as further explained in Note 7. During the period ended June 29, 2014 and the year ended June 30, 2013, the Academy recorded in-kind rent of \$416,000 and \$391,644, respectively.

The Academy also leases copiers under lease agreements that expire in March of 2015. During the period ended June 29, 2014 and the year ended June 30, 2013, \$22,913 and \$21,561, respectively was expensed.

The future minimum rental payments required under the operating leases for the years subsequent to June 29, 2014, are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 1,154,040
2016	1,152,157
2017	1,152,157
2018	1,152,157
2019	1,152,157
Thereafter	<u>17,282,360</u>
	<u>\$ 23,045,028</u>

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(Continued)

**NOTE 6 - PENSION PLANS**

The Academy elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The Academy employees are required to contribute three percent of their annual covered salary. The Academy is required to contribute an actuarially determined rate determined annually for PERF and TRF. In addition, because the plan is considered a multiple employer plan, it is only subject to certain minimum reporting requirements of the FASB Accounting Standards Code Section 715-30-55. Retirement plan expense for PERF and TRF was \$239,107 and \$218,552 for the period ended June 29, 2014 and the year ended June 30, 2013, respectively.

The Academy's faculty and certain administrative employees are participants in a 403(b) defined contribution retirement plan. All participants may contribute to the 403(b) Plan. The Academy offers an employer match of 1% of an employee's salary for those that contribute 2% or more of the same to the 403(b) Plan. In addition, employees have an option to opt out of PERF and TRF. If so, then employees receive an additional employer contribution to the 403(b) Plan of 10.5% of their salary if eligible for TRF or 10% if otherwise eligible for PERF. There was a total 403(b) employer contribution of \$138,695 and \$117,972 for the period ended June 29, 2014 and the year ended 2013, respectively.

**NOTE 7 – AFFILIATED ORGANIZATIONS**

The Academy has two affiliated organizations, Christel House DORS, Inc. and Christel House International, Inc.

Christel House DORS, Inc. (DORS), a separate legal entity, maintains a signed agreement with the Academy for the use of its employees and other administrative services. DORS reimburses the Academy for the expenses related to these assigned employees and administrative services. In addition, DORS rents its facility from the Academy. The Academy recorded a receivable from DORS in relation to these services in the amount of \$5,416 and \$22,731 as of June 29, 2014 and June 30, 2013, respectively.

Christel House International, Inc. is an affiliated company of the Academy. Christel House International, Inc. is a separately incorporated, not-for-profit organization that is not controlled by the Academy. The Academy rents its facility through Christel House International, Inc. The Academy recorded a payable to Christel House International, Inc. in the amount of \$74,452 and \$68,268 as of June 29, 2014 and June 30, 2013, respectively. If the Academy is unable to make a rental payment, it accrues an advance to Christel House International, Inc. At June 29, 2014 and June 30, 2013, the Academy had \$269,545 and \$355,814, respectively recorded as advance from Christel House International, Inc. in the statement of financial position. The Academy also paid interest of \$23,980 and \$59,287 to Christel House International, Inc. during the period ended June 29, 2014 and the year ended June 30, 2013, respectively. The Academy recorded interest payable to Christel House International, Inc. of \$5,244 and \$24,356 as of June 29, 2014 and June 30, 2013, respectively. Interest is billed on a semi-annual basis at a rate of 3%.

During the period ended June 29, 2014 and the year ended June 30, 2013, the Academy received in-kind rent contributions from Christel House International, Inc. of \$416,000 and \$391,644.

CHRISTEL HOUSE ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
Period ended June 29, 2014 and the year ended June 30, 2013

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**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets for the period ended June 29, 2014 and the year ended June 30, 2013 are available for the following purposes:

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
Mind Trust	\$ -	\$ 155,967
Walton Grant	195,861	-
Professional development grant	25,000	-
Remediation program	19,125	-
Saltsburg Grant	3,000	-
Other	<u>26,970</u>	<u>1,070</u>
	<u>\$ 269,956</u>	<u>\$ 157,037</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. As of June 29, 2014 and June 30, 2013, the Academy had released the following restrictions:

	<u>June 29, 2014</u>	<u>June 30, 2013</u>
Title III	\$ 24	\$ -
Tech Lift Challenge	1,046	-
Camptown	-	9,980
Music Energy Grant	-	5,000
Classroom Innovation	-	24,621
Serve America	-	253
Drug Free	-	3,435
Nutritional	-	898
Reading First	<u>-</u>	<u>31,364</u>
	<u>\$ 1,070</u>	<u>\$ 75,551</u>



**SUPPLEMENTARY INFORMATION**

CHRISTEL HOUSE ACADEMY, INC.  
SCHEDULE OF FINANCIAL POSITION – SCHOOL LEVEL  
June 29, 2014

	Christel House Academy South	Christel House Academy West	Eliminations	Total
<b>ASSETS</b>				
Cash and cash equivalents	589,660	109,160	-	698,820
Due from Christel House DORS, Inc.	5,416	-	-	5,416
Due from Christel House Academy West	21,063	-	(21,063)	-
Grants receivable	104,641	132,321	-	236,962
Prepaid expenses	<u>3,527</u>	<u>-</u>	<u>-</u>	<u>3,527</u>
Total current assets	724,307	241,481	(21,063)	944,725
Property and equipment, net	<u>469,587</u>	<u>100,930</u>	<u>-</u>	<u>570,517</u>
	<u>\$1,193,894</u>	<u>\$ 342,411</u>	<u>\$ (21,063)</u>	<u>\$1,515,242</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities				
Accounts payable	160,153	-	-	160,153
Due to Christel House Academy South	-	21,063	(21,063)	-
Due to Christel House International, Inc.	74,452	-	-	74,452
Advance from Christel House International, Inc., current	130,000	-	-	130,000
Accrued payroll	318,776	16,585	-	335,361
Accrued interest	<u>5,244</u>	<u>-</u>	<u>-</u>	<u>5,244</u>
Total current liabilities	688,625	37,648	(21,063)	705,210
Advance from Christel House International, Inc.	<u>139,545</u>	<u>-</u>	<u>-</u>	<u>139,545</u>
Total liabilities	<u>828,170</u>	<u>37,648</u>	<u>(21,063)</u>	<u>844,755</u>
Net Assets				
Unrestricted	294,629	105,902	-	400,531
Temporarily restricted	<u>71,095</u>	<u>198,861</u>	<u>-</u>	<u>269,956</u>
Total net assets	<u>365,724</u>	<u>304,763</u>	<u>-</u>	<u>670,487</u>
	<u>\$1,193,894</u>	<u>\$ 342,411</u>	<u>\$ (21,063)</u>	<u>\$1,515,242</u>

(Continued)

CHRISTEL HOUSE ACADEMY, INC.  
SCHEDULE OF ACTIVITIES – SCHOOL LEVEL  
Period ended June 29, 2014

	Christel House Academy South	Christel House Academy West	Eliminations	Total
<b>Public support and revenues</b>				
State support	\$4,744,974	\$ -	\$ -	\$4,744,974
Grant revenue	1,818,593	132,321	-	1,950,914
Contributions	1,174,927	499,162	(155,562)	1,518,527
School lunch program	30,334	-	-	30,334
Student fees	20,311	-	-	20,311
Other revenue	18,813	-	-	18,813
Textbook rental	<u>6,238</u>	<u>-</u>	<u>-</u>	<u>6,238</u>
Total public support and revenues	<u>7,814,190</u>	<u>631,483</u>	<u>(155,562)</u>	<u>8,290,111</u>
<b>Expenses</b>				
Program services				
Elementary School	4,055,945	307,443	(155,562)	4,207,826
Middle School	1,114,396	-	-	1,114,396
High School	<u>2,083,514</u>	<u>-</u>	<u>-</u>	<u>2,083,514</u>
Total program expenses	7,253,855	307,443	(155,562)	7,405,736
General and administrative	<u>451,025</u>	<u>19,277</u>	<u>-</u>	<u>470,302</u>
Total expenses	<u>7,704,880</u>	<u>326,720</u>	<u>(155,562)</u>	<u>7,876,038</u>
Change in net assets	109,310	304,763	-	414,073
Net assets, beginning of year	<u>256,414</u>	<u>-</u>	<u>-</u>	<u>256,414</u>
Net assets, end of year	<u>\$ 365,724</u>	<u>\$ 304,763</u>	<u>\$ -</u>	<u>\$ 670,487</u>

(Continued)

CHRISTEL HOUSE ACADEMY, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Period ended June 29, 2014

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2013-2014	\$ 108,120
National School Lunch Program	10.555	FY 2013-2014	286,553
Summer Food Service Program for Children	10.559	FY 2013-2014	<u>20,285</u>
Total Child Nutrition Cluster			<u>414,958</u>
HUSCC Grant	10.574		1,000
Fresh fruit and vegetable program	10.582	FY 2013-2014	<u>47,430</u>
Total U.S. Department of Agriculture			<u>463,388</u>
<u>U.S. Department of Education</u>			
Passed through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	FY 2012-2013	45,301
		FY 2013-2014	<u>498,705</u>
Total for program			<u>544,006</u>
Special Education Cluster (IDEA)			
Special Education- Grants to States	84.027	FY 2012-2014	20,831
		FY 2013-2015	<u>91,319</u>
Total for program			<u>112,150</u>
Public Charter School Program Planning Grant	84.282	A58-4-14OT-1767	<u>132,321</u>
Twenty-First Century Community Learning Centers			
	84.287	FY 2013-2014	105,651
		FY 2014-2015	<u>7,001</u>
Total for program			<u>112,652</u>
English Language Acquisition Grants			
	84.365	FY 2011-2013	24
		FY 2012-2014	300
		FY 2013-2015	<u>13,316</u>
Total for program			<u>13,640</u>
Improving Teacher Quality State Grants			
	84.367	FY 2012-2014	57,200
		FY 2013-2015	<u>5,402</u>
Total for program			<u>62,602</u>
Teacher Incentive Fund			
	84.374A	FY 2012-2013	177,530
		FY 2013-2014	<u>184,201</u>
Total for program			<u>361,731</u>
Total U.S. Department of Education			<u>1,339,102</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 1,802,490</u></b>

See accompanying note to the schedule of expenditures of federal awards.

CHRISTEL HOUSE ACADEMY, INC.  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Period ended June 29, 2014

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Christel House Academy, Inc. and is presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required.

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(Continued)

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*

Board of Directors  
Christel House Academy, Inc.  
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Christel House Academy, Inc. (the "Academy"), which comprise the statement of financial position as of June 29, 2014, and the related statements of activities, functional expenses, and cash flows for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated March 2, 2015.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness (Finding 2014-001).

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency (Finding 2014-002).

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(Continued)

## **Compliance and Other Matters**

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

## **The Academy's Response to Findings**

The Academy's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Academy's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Indianapolis, Indiana  
March 2, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors  
Christel House Academy, Inc.  
Indianapolis, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited Christel House Academy, Inc. (the "Academy") 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 Academy's major federal programs for the period ended June 29, 2014. The Academy'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 Academy'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 Academy'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 Academy's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Academy 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 period ended June 29, 2014.

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(Continued)



## Report on Internal Control Over Compliance

Management of the Academy 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 Academy'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 Academy'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.

*Crowe Horwath LLP*

Crowe Horwath LLP

Indianapolis, Indiana  
March 2, 2015

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(Continued)

CHRISTEL HOUSE ACADEMY, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Period ended June 29, 2014

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?   X   Yes        No

Significant deficiencies identified not considered to be material weaknesses?   X   Yes        No

Compliance:

Noncompliance material to financial statements noted?        Yes   X   No

*OMB Circular A-133*

Internal Control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None noted

Compliance with requirements applicable to each major program:

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
10.559	National School Lunch Program
	Summer Food Service Program for Children
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   X   No

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?        Yes   X   No

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(Continued)

CHRISTEL HOUSE ACADEMY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Period ended June 29, 2014

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

**FINDING 2014-001 – CONTROLS OVER FINANCIAL REPORTING**

**Criteria:** Applicable accounting standards state that management is responsible for having internal controls in place to provide appropriate and reliable financial reports, and to select and apply appropriate accounting principles. Management is not required to prepare their financial reports, but management needs to demonstrate the level of qualifications and controls to prepare their financial reports without significant deficiencies in these controls.

**Condition:** During the current year audit, multiple adjustments were posted. Due to the number and nature of the adjustments, they are considered to be a material weakness in the aggregate.

**Cause/Effect:** The above condition appears to be the result of the inability to fully implement a review process. The effect is a lack of materially accurate financial reporting by management.

**Questioned Cost:** None

**Recommendation:** We recommend that management thoroughly review monthly and annual account reconciliations. This will allow for the general ledger to reflect a complete and accurate representation of financial results.

**Management’s Response:** Management concurs with this finding.

**Corrective Action:** During the year under audit, we executed our plan to transition accounting and reporting services onsite. As a component of this process, our policy addressing monthly and annual account reconciliations and a thorough review thereof has been revised with implementation underway. With the transition of accounting and reporting services scheduled for completion by May 2015, a review process will be fully implemented prior to the end of the current fiscal year. The Chief School Business Officer maintains responsibility for accomplishing this goal.

CHRISTEL HOUSE ACADEMY, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Period ended June 29, 2014

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**FINDING 2014-002 - PREPARATION OF AN ACCURATE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

- Criteria:** OMB Circular A-133, Section 310(b) requires the auditee prepare a complete and accurate Schedule of Expenditures of Federal Awards (SEFA).
- Condition:** The SEFA prepared by the auditee did not contain all the required information and one grant awarded was not included on the provided SEFA.
- Cause/Effect:** The auditee provided to the auditor a list of federal awards with missing Catalog of Federal Domestic Assistance (CFDA) numbers and missing grant awards. As a result, it was not possible to obtain accurate cluster or program information from the original SEFA.
- Questioned Cost:** None.
- Recommendation:** We recommend management maintain grant documents to ensure CFDA numbers are accurate, complete, and that all federal requirements have been satisfied.
- Management's Response:** The management of Christel House Academy, Inc. maintains all grant documents associated with federal funding received. Recurring funding sources do not provide formal grant agreements containing CFDA numbers. In these instances, we obtained CFDA numbers from the Indiana Department of Education, which agreed to the CFDA numbers disclosed in the prior year audited financial statements. Management concurs with the finding regarding one grant award's exclusion from the provided SEFA.
- Corrective Action:** During the year under audit, we executed our plan to transition accounting and reporting services onsite. As a component of this process, our policy addressing monthly and annual account reconciliations and a thorough review thereof has been revised to include preparation and/or update of the SEFA. With the transition of accounting and reporting services scheduled for completion by May 2015, preparation, update and review of the SEFA will be fully implemented prior to the end of the current fiscal year. The Chief School Business Officer maintains responsibility for accomplishing this goal.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

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(Continued)

CHRISTEL HOUSE ACADEMY, INC.  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
Period ended June 29, 2014

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There were no audit findings or questioned costs in the prior year.

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(Continued)

CHRISTEL HOUSE ACADEMY, INC.  
OTHER REPORT  
Period ended June 29, 2014

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

Indiana State Board of Accounts Compliance Report of Christel House Academy, Inc.

The above 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*.