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May 7, 2015

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

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, LLP, Independent Public Accountants, for the period July 1, 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 Carpe Diem Indiana, Inc., as of June 30, 2014, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Carpe Diem Indiana, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

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

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

CARPE DIEM INDIANA, INC.

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

For the Years Ended
June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Carpe Diem Indiana, Inc. (an Indiana non-profit organization), 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 *Guidelines for the Audits of Charter Schools Performed by Private Examiner*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carpe Diem Indiana, Inc. as of June 30, 2014 and 2013, and the changes in its net assets (deficit) and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses 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 audits 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.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
April 20, 2015

CARPE DIEM INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

ASSETS

	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	$ 55,101	$ 35,490
Total Current Assets	55,101	35,490
PROPERTY AND EQUIPMENT:		
Buildings improvements	213,681	213,681
Computer equipment	326,336	165,980
Equipment	119,304	119,304
Less: accumulated depreciation	(191,001)	(68,166)
Total Property and Equipment, net	468,320	430,799
OTHER ASSETS:		
Security deposits	22,795	22,770
TOTAL ASSETS	$ 546,216	$ 489,059

See accompanying notes to financial statements.

CARPE DIEM INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION
(continued)

June 30, 2014 and 2013

LIABILITIES AND NET ASSETS (Deficit)

	2014	2013
CURRENT LIABILITIES:		
Accounts payable	$ 21,926	$ -
Current portion of note payable	97,699	92,944
Related party payable	78,000	-
Accrued expense	156	-
Line of credit	449,822	349,822
Total Current Liabilities	647,603	442,766
LONG-TERM LIABILITIES:		
Note payable, net of current portion	257,243	354,942
Total Long-Term Liabilities	257,243	354,942
NET ASSETS:		
Unrestricted	(358,630)	(308,649)
Total Net Assets (Deficit)	(358,630)	(308,649)
TOTAL LIABILITIES AND NET ASSETS (Deficit)	$ 546,216	$ 489,059

See accompanying notes to financial statements.

CARPE DIEM INDIANA, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2014 and 2013

	2014	2013
	Unrestricted	Unrestricted
REVENUES AND SUPPORT:		
Contributions and donations	$ 62,959	$ 9,140
Grant revenue	347,142	676,042
State support	1,278,292	612,872
Other revenue	9,923	14
Total Revenues and Support	1,698,316	1,298,068
PROGRAM AND SUPPORTING SERVICE EXPENSES:		
Program services	1,414,653	1,472,588
Supporting services:		
General and administrative	333,644	134,129
Total Expenses	1,748,297	1,606,717
CHANGE IN NET ASSETS (Deficit)	(49,981)	(308,649)
NET ASSETS (Deficit), beginning of year	(308,649)	-
NET ASSETS (Deficit), end of year	$ (358,630)	$ (308,649)

See accompanying notes to financial statements.

CARPE DIEM INDIANA, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (49,981)	$ (308,649)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	122,835	68,166
(Increase) decrease in:		
Accounts payable	21,926	-
Accrued expenses	156	-
Security deposits	(25)	(22,770)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	94,911	(263,253)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(160,356)	(498,965)
NET CASH USED IN INVESTING ACTIVITIES	(160,356)	(498,965)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Short-term borrowings	314,000	449,822
Short-term loans repayments	(136,000)	(100,000)
Long-term debt borrowings	-	500,000
Long-term debt repayments	(92,944)	(52,114)
NET CASH PROVIDED BY FINANCING ACTIVITIES	85,056	797,708
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,611	35,490
CASH AND CASH EQUIVALENTS - beginning of year	35,490	-
CASH AND CASH EQUIVALENTS - end of year	$ 55,101	$ 35,490
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 33,117	$ 28,702
Fixed assets in accounts payables	$ 14,600	$ -

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Carpe Diem Indiana, Inc. (the "School") was incorporated in April 2012 under the laws of the State of Indiana and commenced operations in July 2012. The School is an inner-city Indianapolis charter school that provides outstanding education to underserved children by maintaining high standards of academic rigor, efficiency, and accountability. The School's primary source of revenue and support are grants from the Indiana Department of Education.

Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

Basis of Presentation

As required by Financial Statement Presentation Disclosure topic of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), the School is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets

The financial statements report amounts separately by class of net assets:

Unrestricted net assets

Unrestricted amounts are those currently available for use in the School's activities.

Temporarily restricted net assets

Temporarily restricted expendable amounts are those which are restricted by donors for a specific period of time or a specific purpose. As of June 30, 2014 and 2013, the School had no temporarily restricted net assets.

Permanently restricted net assets

Net assets subject to donor-imposed stipulations require that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on the related investments for general or specific purposes. As of June 30, 2014 and 2013, the School had no permanently restricted net assets.

Cash and cash equivalents

For purposes of the statement of cash flows, the School considers all investments purchased with a maturity of three months or less to be cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The School capitalizes additions of fixed assets in excess of $1,000 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 10 years. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense was $122,835 and $68,166 for the years ended June 30, 2014 and 2013, respectively.

Contributed Materials and Services

Contributed services are recognized as contributions in accordance with Contributions Disclosure Topic of FASB ASC, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The School did not receive any in-kind contributions during the years ended June 30, 2014 and 2013.

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

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in equal monthly installments in January through December following the start of the academic school year. Revenue is recognized in the year in which the educational services are rendered. See Note 3 regarding legislative changes affecting revenue recognition.

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

Functional Expense Allocation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could vary from the estimates that were used.

Advertising

The School expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2014 and 2013 were $35,916 and $47,270, respectively.

Income Taxes

The School is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The School is not considered to be a private foundation. Accordingly, no provision for income taxes has been reflected in the School's financial statements.

The School has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. In the normal course of business, the School is subject to examination by taxing authorities. The School's tax returns for years subsequent to fiscal year 2010 are open, by statute, for review by authorities. However, at present there are no ongoing income tax audits or unresolved disputes with the various tax authorities that the School currently files or has filed.

Concentration and Credit Risk

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

The School places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. There were no funds in excess of FDIC insured limits at June 30, 2014 and 2013.

Concentrations of credit risk with respect to grants receivable are limited due to the School's ability to accomplish the terms of the grants. Credit losses, if any, have been provided in the financial statements and have been within management's expectations.

Operating Funds from the Indiana Department of Education amounted to 96% and 99% of the School's support and revenue for the years ended June 30, 2014 and June 30, 2013, respectively. A state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the school during the year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties

The School provides education instruction services to families residing in Marion and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area. The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, non-compliance in regards to federal and state standards and regulations could result in reduction of funding or repayment of disallowed costs.

Reclassification

Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

2. DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Education

The School offers education, special education, and instructional staff training programs for grades 6-10. Education includes enhanced national and state-mandated educational objectives, implemented with a focus on character development and academic performance. Students participate in service learning projects and are exposed to an internationally focused perspective on the world. The School uses a curriculum designed to promote critical thinking skills, academic achievement, and personal development through the use of in-depth investigations that engage students in community, projects, and service. Special education is an addition to the School's core educational program. Instructional staff training program includes in house training on staff development days and off site training for teachers and interventionists.

3. LEGISLATIVE FUNDING CHANGES

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered.

Effective July 1, 2013, school funding was 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 no longer to be paid.

For the year ended June 30, 2014 and June 30, 2013, the effect of these legislative amendments had no impact on the School.

4. OPERATING LEASES

The School leases space and equipment under leases which expire at varying dates through June 30, 2022. The lease agreements require monthly payments of $16,295 and $200 for building space and a copier, respectively. For the years ended June 30, 2014 and 2013, total building and equipment rent expense totaled $195,814 and $170,310, respectively.

4. OPERATING LEASES (Continued)

The future minimum rental payments required under the operating leases are as follows:

Year	Amount
2015	$ 197,942
2016	199,897
2017	199,874
2018	201,469
2019	203,484
Thereafter	570,332
	$ 1,572,998

5. PENSION PLAN

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

The School contributions to employees' 401(k) plans totaled $24,983 and $3,826 for the years ended June 30, 2014 and 2013, respectively.

6. RELATED PARTIES

During the school year ended June 30, 2013, the School had two affiliated organizations, Carpe Diem Arizona, Inc. (CDAZ) and Carpe Diem Learning Systems, Inc. (CDLS). CDAZ is a separately incorporated, not-for-profit organization that is and was not controlled by the School. Before the School had the functionality to purchase fixed assets or supplies to begin operations for the school year ended June 30, 2013, the first fiscal year of operation for the school, CDAZ purchased the necessary fixed assets and supplies. The School reimbursed CDAZ for purchases during the June 30, 2013 school year. These purchases and reimbursements were approximately $307,000. In addition to the purchase of fixed assets and supplies, the School paid CDAZ $25,500 for curriculum in the 2013 school year.

As of June 30 2014, the school only has only one related organization, Carpe Diem Learning System, Inc. Carpe Diem Learning Systems, Inc. (CDLS) is the management company of Carpe Diem Indiana. CDLS is a separately incorporated, for-profit organization that is not controlled by the School. Carpe Diem Indiana depends upon CDLS for its yearly curriculum. The school, as well, occasionally seeks borrowed funds from CDLS. Carpe Diem Indiana repays the borrowed funds within a year. At June 30, 2014 and June 30, 2013 the School had $78,000 and $0, respectively, recorded as a related party payable under current liabilities.

7. LINE OF CREDIT

The School maintains a $450,000 line of credit, which originally expired on June 27, 2014. The School was granted a three month extension of the maturity date to September 27, 2014. On October 23, 2014, the line of credit was renewed as two separate lines of credit for $100,000 and $350,000 with a maturity date of October 23, 2015, respectively. The lines of credit are also guaranteed personally by two individuals who are unrelated third parties. At June 30, 2014 and 2013, the balance was $449,822 and $349,822, respectively. The line is secured by the assets of the

7. LINE OF CREDIT (Continued)

School. Interest is based on LIBOR plus 3.5%. As of June 30, 2014, the interest rate was 3.7%. At the maturity date, the agreement requires for full payment of the principal plus any unpaid accrued interest. The School is only required to pay principal at maturity. Interest expense was $12,675 and $13,468 for the years ended June 30, 2014 and 2013, respectively.

8. LONG-TERM DEBT

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

	2014	2013
IFF Note Payable in monthly installments of $9,436, including interest computed at 5%, through maturity on November 1, 2017, secured by substantially all property and equipment	$ 354,942	$ 447,886
Less: current maturities	(97,699)	(92,944)
Total Long-term Debt	$ 257,243	$ 354,942

Principal payments on the note payable are due as follows:

June 30	
2015	$ 97,699
2016	102,698
2017	107,952
2018	46,594
	$ 354,942

Certain debt covenants had not been complied with during 2014. The creditor has waived their rights to call the debt through June 30, 2015 as a result of covenant violations occurring on or before June 30, 2014. Total interest expense during the years ended June 30, 2014 and 2013 was $20,442 and $13,936, respectively.

9. SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated subsequent events and transactions for potential recognition or disclosure through April 20, 2015, the date the financial statements were available to be issued and determined there were no significant non recognized subsequent events.

CARPE DIEM INDIANA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014

	Program Services	Supporting Services	
	Academics	Management and General	Total Expenses
Salaries and benefits	$ 723,728	$ 16,694	$ 740,422
Instructional services	94,430	-	94,430
Professional services	78,816	240,813	319,629
Course materials and supplies	38,421	228	38,649
Advertising	11,905	24,011	35,916
Bank service charges	-	3,098	3,098
Dues and fees	20,177	917	21,094
Rent and facilities	190,991	4,823	195,814
Food purchases	2,386	-	2,386
Insurance	29,004	732	29,736
Small equipment purchases	17,874	408	18,282
Postage and printing	138	559	697
Facilities expense	71,060	1,794	72,854
Professional development	14,859	-	14,859
Travel	119	1,544	1,663
Interest expense	-	33,117	33,117
Depreciation and amortization	120,745	2,090	122,835
Miscellaneous	-	2,816	2,816
	$ 1,414,653	$ 333,644	$ 1,748,297

See accompanying notes to financial statements.

CARPE DIEM INDIANA, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

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

See accompanying notes to financial statements.

CARPE DIEM INDIANA, INC.

OTHER REPORT

For the Year Ended June 30, 2014

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

Supplemental Audit Report of Carpe Diem Indiana, Inc.