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June 16, 2016

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 Clifton Larson Allen, LLP, Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. 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, 2015, 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 AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED JUNE 30, 2015 AND 2014

CARPE DIEM INDIANA, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Carpe Diem Indiana, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Carpe Diem Indiana, Inc. (an Indiana nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year 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.

Auditors' 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 Accounting 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 auditors' 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.

Board of Directors
Carpe Diem Indiana, Inc.

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, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

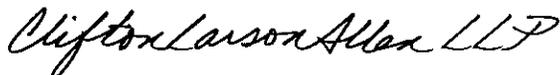
The 2014 financial statements of Carpe Diem Indiana, Inc. were audited by other auditors whose report dated April 20, 2015, expressed an unmodified opinion.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated January 15, 2016, on our consideration of Carpe Diem Indiana, 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 result 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 Carpe Diem Indiana, Inc.'s internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses 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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
January 15, 2016

CARPE DIEM INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	\$ 115,583	\$ 55,101
Grants receivable	521,979	-
Prepaid expenses	109,631	-
Total current assets	747,193	55,101
PROPERTY AND EQUIPMENT		
Equipment	119,304	119,304
Computer equipment/software	374,921	326,336
Building improvements	213,681	213,681
Total	707,906	659,321
Less: accumulated depreciation	(354,981)	(191,001)
Total property and equipment	352,925	468,320
OTHER ASSETS		
Security deposits	27,635	22,795
Total Assets	\$ 1,127,753	\$ 546,216
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 449,822	\$ 449,822
Current portion of note payable	579,198	97,699
Accounts payable	181,828	21,926
Related party payable	25,507	78,000
Accrued expenses	13,193	156
Total Current Liabilities	1,249,548	647,603
LONG-TERM LIABILITIES		
Note payable, net of current portion	154,546	257,243
Total Liabilities	1,404,094	904,846
NET ASSETS		
Unrestricted	(526,341)	(358,630)
Temporarily Restricted	250,000	-
Total Accumulated Deficit	(276,341)	(358,630)
Total Liabilities and Accumulated Deficit	\$ 1,127,753	\$ 546,216

See accompanying Notes to Financial Statements.

CARPE DIEM INDIANA, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE AND CONTRIBUTED SUPPORT				
Contributions and donations	\$ 4,002	\$ -	\$ 4,002	\$ 62,959
Grant Revenue	556,930	250,000	806,930	325,829
State support	1,767,574	-	1,767,574	1,299,605
Other revenue	18,944	-	18,944	9,923
Total revenue and support	<u>2,347,450</u>	<u>250,000</u>	<u>2,597,450</u>	<u>1,698,316</u>
EXPENSES				
Program services	1,579,986	-	1,579,986	1,414,653
Supporting services:				
General and administrative	935,175	-	935,175	333,644
Total expenses	<u>2,515,161</u>	<u>-</u>	<u>2,515,161</u>	<u>1,748,297</u>
CHANGE IN NET ASSETS	(167,711)	250,000	82,289	(49,981)
ACCUMULATED DEFICIT, BEGINNING OF YEAR	<u>(358,630)</u>	<u>-</u>	<u>(358,630)</u>	<u>(308,649)</u>
ACCUMULATED DEFICIT, END OF YEAR	<u>\$ (526,341)</u>	<u>\$ 250,000</u>	<u>\$ (276,341)</u>	<u>\$ (358,630)</u>

See accompanying Notes to Financial Statements.

CARPE DIEM INDIANA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 82,289	\$ (49,981)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	83,980	122,835
(Increase) decrease in:		
Grants receivable	(521,979)	-
Prepaid expenses	(109,631)	(25)
Security deposits	(4,840)	-
Increase (decrease) in:		
Accounts and related party payable	107,409	21,926
Accrued expenses	13,037	156
	(349,735)	94,911
Net Cash Provided by (Used in) Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	31,415	(160,356)
	31,415	(160,356)
Net Cash Provided by (Used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from note payable	500,000	314,000
Payments on note payable	(121,198)	(228,944)
	378,802	85,056
Net Cash Provided by Financing Activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,482	19,611
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	55,101	35,490
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 115,583	\$ 55,101
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 35,567	\$ 33,117
Fixed assets in accounts payable	\$ -	\$ 14,600

See accompanying Notes to Financial Statements.

CARPE DIEM INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 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.

The School offers education, special education, and instructional staff training programs for grades 6-12. 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 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.

During the year ended June 30, 2015, the School entered the planning and implementation phase for two additional campus locations. This included securing campus locations through lease agreements (see Note 2). Neither of these campus locations had any school activities during the year ended June 30, 2015. The primary source of revenue and support for these campus locations will be grants from the Indiana Department of Education.

Net Asset Classifications

The financial statements have been prepared in accordance with the Financial Accounting Standards Board's guidance applicable to Not-for-Profit Organizations, which requires, among other things, that the financial statements report the changes in total and of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted. The following class of net assets is maintained.

Unrestricted net assets

The unrestricted net asset class includes general assets and liabilities of Carpe Diem. The unrestricted net assets of Carpe Diem may be used at the discretion of management to support Carpe Diem's purposes and operations.

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, 2015, the School had \$250,000 of 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, 2015 and 2014, the School has no permanently restricted net assets.

CARPE DIEM INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Grants Receivable

Grants receivable represent the uncollected portion of funds from grants awarded to the School. Management has deemed these amounts to be fully collectible within one year.

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 \$5,000 cost or fair value, if contributed. The School will also capitalize any additions of fixed assets in excess of \$25,000 for aggregate purchases. 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 \$83,980 and \$122,835 for the years ended June 30, 2015 and 2014, respectively.

Contributed Materials And Services

Contributed services are recognized as contributions in accordance with accounting guidance 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, 2015 and 2014.

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.

CARPE DIEM INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to 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.

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.

Nature of Activities

Expenses are reported by the nature of activities they support in the following categories:

Program Services

The Organization provides education, special education and staff training programs to inner city students grades six (6) through twelve (12) to foster character development and academic performance.

Supporting Services

Supporting services expenses relate to the overall direction of the Organization, and include expenses for support activities of the School and business management.

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, 2015 and 2014 were \$147,936 and \$35,916, respectively.

CARPE DIEM INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2012 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, 2015 and 2014.

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 amounts to 89% and 96% of the School's support and revenue for the years ended June 30, 2015 and 2014, 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.

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.

CARPE DIEM INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2 OPERATING LEASES

The School leases space and equipment under leases which expire at varying dates through June 30, 2035. The lease agreements required monthly payments of \$23,170 for the year ended June 30, 2015. In connection with the planning and implementation phase of two new campus locations, the School entered into space and furniture, fixture and equipment leases for the new locations in April and May 2015. Lease payments commence on these lease agreements in August 2015 and expire at various dates through 2035. Required monthly payments beginning in August 2015 are \$95,930. All location leases include a 2% increase after year four of the lease term.

For the years ended June 30, 2015 and 2014, total building and equipment rent expense totaled \$291,144 and \$195,814, respectively.

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

	<u>Year</u>	<u>Amount</u>
	2016	\$ 1,463,600
	2017	1,611,400
	2018	1,611,000
	2019	1,611,000
	2020	1,611,000
	Thereafter	19,997,193
		\$ 27,905,193

NOTE 3 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 \$913 and \$24,983 for the years ended June 30, 2015 and 2014, respectively.

NOTE 4 RELATED PARTIES

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, 2015 and 2014, the School had \$25,507 and \$78,000, respectively, recorded as a related party payable under current liabilities.

CARPE DIEM INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 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 22, 2015, respectively (see Note 7). The lines of credit are also guaranteed personally by two individuals who are unrelated third parties. At June 30, 2015 and 2014, the balance was \$449,822 and \$449,822, respectively. Interest is based on LIBOR plus 3.5%. As of June 30, 2015, the interest rate was 3.75%. 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 \$19,940 and \$12,675 for the years ended June 30, 2015 and 2014, respectively.

NOTE 6 NOTE PAYABLE

The note payable included the following at June 30:

	2015	2014
Note payable - individual payable in full December 2015, including interest at 6% per year. Secured by grants receivable.	\$ 476,500	\$ -
IFF Note payable in monthly installments of \$9,436, including interest computed at 5%, through maturity on November 1, 2017, secured substantially all property and equipment	257,244	354,942
	733,744	354,942
Less: current maturities	(579,198)	(97,699)
Total Long-term Debt	\$ 154,546	\$ 257,243

Principal payments on the note payable are due as follows:

June 30	
2016	\$ 579,198
2017	107,952
2018	46,594
	\$ 733,744

Total interest expense during the years ended June 30, 2015 and 2014 was \$15,627 and \$20,442, respectively.

CARPE DIEM INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated subsequent events and transactions for potential recognition or disclosure through January 15, 2016, the date the financial statements were available to be issued, and determined the following subsequent events should be disclosed:

The lines of credit have been extended to January 22, 2016. The \$100,000 line of credit was paid in full in January 2016. The remaining \$350,000 line of credit is being renegotiated with the bank.



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INDEPENDENT AUDITORS' 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 and Management
Carpe Diem Indiana, 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 Carpe Diem Indiana, Inc., which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Carpe Diem Indiana, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carpe Diem Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Carpe Diem Indiana, Inc.'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 organization'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies as reported in items 2015-001, 2015-002 and 2015-003.

Compliance and Other Matters

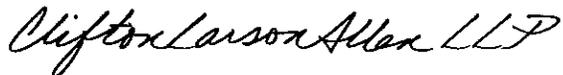
As part of obtaining reasonable assurance about whether Carpe Diem Indiana, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2015-002 and 2015-003.

Carpe Diem Indiana, Inc.'s Response to Findings

Carpe Diem Indiana, Inc.'s response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Carpe Diem Indiana, Inc.'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 and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
January 15, 2016

CARPE DIEM INDIANA, INC.
SCHEDULE OF FINDINGS
JUNE 30, 2015

Section I – Financial Statement Findings

2015 – 001

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Management employs competent personnel who understand the School's operations. While they record the School's day to day transactions in a consistent manner, they lack the expertise to analyze and record complex transactions to ensure that all transactions are properly recorded in the financial statements in accordance with generally accepted accounting principles (GAAP) or preparing its financial statements. This situation is very common for small organizations with limited resources; however, results in a significant deficiency.

Criteria or specific requirement: Management is responsible for the content of the financial statements and for ensuring that content is complete and accurate in accordance with GAAP.

Context: While management assumed responsibility for the financial statements through the management representation letter, CLA prepared the financial statements and GAAP disclosure checklists.

Effect: The lack of in–depth management involvement in the preparation and evaluation of the financial statements could result in financial statements not in compliance with GAAP.

Cause: The organization has not adopted a policy to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP; however, management has reviewed and approved the annual financial statements and related notes, as prepared by CLA, and has accepted responsibility for those financial statements.

Recommendation: We recommend that management assess the current capabilities of accounting employees and either (a) develop a training program to ensure that they obtain the skills and technical knowledge necessary to prepare financial statements in accordance with GAAP or (b) hire accounting personnel with the requisite knowledge and skill to do so.

Views of responsible officials and planned corrective actions: Management will continue to rely on the audit firm to draft the financial statements and the related notes to the financial statements, and will review, approve, and accept responsibility for the annual financial statements prior to their issuance.

CARPE DIEM INDIANA, INC.
SCHEDULE OF FINDINGS
JUNE 30, 2015

Section II – Compliance Findings

2015 – 002

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Compliance

Criteria or specific requirement: Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 10, requires timely receipts and deposits. Specifically, all charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. The School should have internal controls designed to ensure compliance with those provisions.

Condition: During our testing, we noted the School did not have adequate internal controls designed to support timely receipts and deposits.

Context: During our cash receipt/ deposit testing, we noted the following:

- We received only general ledger activity reports as supporting documentation for twenty-nine (29) of the sixty (60) selections.
- Deposit receipts could not be provided for twenty (20) of the sixty (60) items selected for testing.

Cause: The School was unaware that such documentation was not being maintained.

Effect: We were unable to accurately determine:

- If compliance requirements for timely receipts were met for these 29 selections;
- If compliance requirements for timely deposits were met for 20 selections.

Recommendation: We recommend the School design and implement controls to ensure appropriate documentation is maintained to support timely receipts and deposits and such documentation is reviewed by management.

Views of responsible officials and planned corrective actions:

Actions planned in response to finding: Management has implemented procedures to ensure adequate back up is maintained. For following fiscal year, for all deposits, there is required sufficient backup before the entries can be recorded in the general ledger.

CARPE DIEM INDIANA, INC.
SCHEDULE OF FINDINGS
JUNE 30, 2015

2015 – 003

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Compliance

Criteria or specific requirement: Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 2 and Part 8, requires procedures for the initiation approval of expenditures. The School should have internal controls designed to ensure compliance with those provisions.

Condition: During our testing, we noted the School did not have adequate internal controls designed to support timely approval of invoices.

Context: During our cash disbursement testing, we noted the procedure for processing invoices and remitting payment includes appropriate and timely authorization by School officials to make such payments. The School's process requires the administrator to stamp all vendor invoices and sign them for approval; however, we noted that thirty-seven (37) of the sixty (60) disbursements tested did not include the approving stamp and signature.

Cause: The School did not follow established procedures for timely approval.

Effect: We were unable to accurately determine if compliance requirements were met for 37 disbursements tested.

Recommendation: We recommend the School design and implement controls to ensure appropriate documentation is maintained to support timely receipts and deposits and such documentation is reviewed by management.

Views of responsible officials and planned corrective actions:

Actions planned in response to finding: The school installed an electronic requisitions/purchase order/invoice approval system called Expense Watch which include an approval chain for all purchases and expenditures of the school. Electronic documentation of the initiator and approver is stored for all transactions.

CARPE DIEM INDIANA, INC.
SCHEDULE OF FINDINGS
JUNE 30, 2014

Section III – Prior Year Findings

There were no findings in the prior year that were required to be reported.

CARPE DIEM INDIANA, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services	Supporting Services			Total Expenses
	Academics	Management and General	Planning and Implementation	Total Supporting Services	
Salaries and benefits	\$ 890,917	\$ 18,182	\$ 167,181	\$ 185,363	\$ 1,076,280
Instructional services	74,865	-	-	-	74,865
Professional services	94,715	284,145	236,873	521,019	615,734
Course materials and supplies	35,992	364	2,113	2,477	38,469
Advertising	22,634	45,955	79,347	125,302	147,936
Bank service charges	-	3,124	116	3,240	3,240
Dues and fees	27,665	1,153	1,653	2,806	30,471
Rent and facilities	230,292	4,700	19,868	24,568	254,860
Food purchases	3,503	-	1,155	1,155	4,658
Insurance	21,078	430	-	430	21,509
Small equipment purchases	9,215	188	1,703	1,891	11,107
Postage and printing	89	358	32	390	479
Facilities expense	79,277	1,618	1,583	3,201	82,478
Professional development	7,133	-	17,645	17,645	24,778
Travel	310	4,113	4,328	8,441	8,751
Interest expense	-	35,567	-	35,567	35,567
Depreciation and amortization	82,300	1,680	-	1,680	83,980
	<u>\$ 1,579,986</u>	<u>\$ 401,576</u>	<u>\$ 533,599</u>	<u>\$ 935,175</u>	<u>\$ 2,515,161</u>

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
	<u>\$ 1,414,653</u>	<u>\$ 333,644</u>	<u>\$ 1,748,297</u>