



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B41616

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

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

January 8, 2013

Charter School Board
East Chicago Lighthouse Charter School
6525 Kentucky Avenue
Hammond, IN 46323

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. 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 East Chicago Lighthouse Charter School, as of June 30, 2012 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 East Chicago Lighthouse Charter School 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.

State Board of Accounts

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Financial Statements and Federal Single Audit Report

June 30, 2012 and 2011

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-14
Supplementary Information:	
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17-18
Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	19-20
Schedule of Findings and Questioned Costs	21-22
Summary Schedule of Prior Audit Findings	23
Other Reports	24

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Lighthouse Academies of Indiana, Inc.

We have audited the accompanying statements of financial position of **East Chicago Lighthouse Charter School** (an operating component of Lighthouse Academies of Indiana, Inc., a not-for-profit corporation) (the "School") as of June 30, 2012 and 2011 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of Lighthouse Academies of Indiana, Inc. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Chicago Lighthouse Charter School as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2012 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Indianapolis, IN
October 29, 2012

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Statements of Financial Position

Assets	June 30	
	2012	2011
Current assets:		
Cash and cash equivalents	\$ 326,754	537,151
Accounts receivable:		
State education support	1,890,518	1,538,112
Grants	42,479	96,934
Other	704	3,569
Prepaid expenses	101,280	20,517
Total current assets	<u>2,361,735</u>	<u>2,196,283</u>
Security deposit	8,000	8,000
Property and equipment:		
Leasehold improvements	628,933	474,954
Furniture and equipment	157,710	124,265
Accumulated depreciation	(251,439)	(169,756)
Property and equipment, net	<u>535,204</u>	<u>429,463</u>
	<u>\$ 2,904,939</u>	<u>2,633,746</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 323,606	283,304
Refundable advances	18,786	14,121
Current portion of long-term debt	-	76,666
Total current liabilities	<u>342,392</u>	<u>374,091</u>
Deferred rent payable	192,256	199,308
Accrued interest on Common School Fund loans	209,580	139,861
Long-term debt	2,119,187	1,494,780
Total liabilities	<u>2,863,415</u>	<u>2,208,040</u>
Unrestricted net assets	<u>41,524</u>	<u>425,706</u>
	<u>\$ 2,904,939</u>	<u>2,633,746</u>

See accompanying notes to financial statements.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Statements of Activities

	Year Ended June 30	
	2012	2011
<u>Revenue, Gains and Support</u>		
State education support	\$ 3,781,184	3,078,958
Grant revenue	1,192,720	1,090,507
Student fees	28,841	37,536
Fundraising income	42,668	19,524
Other	8,988	5,161
Total revenue, gains and support	<u>5,054,401</u>	<u>4,231,686</u>
<u>Expenses</u>		
Program services:		
Educational instruction	3,313,136	2,432,334
Education support	983,912	758,537
Administrative	1,117,313	829,721
Fundraising	24,222	22,420
Total expenses	<u>5,438,583</u>	<u>4,043,012</u>
Increase (decrease) in net assets	(384,182)	188,674
Net assets, beginning of year	<u>425,706</u>	<u>237,032</u>
Net assets, end of year	<u>\$ 41,524</u>	<u>425,706</u>

See accompanying notes to financial statements.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Statements of Cash Flows

	Year Ended June 30	
	2012	2011
<u>Operating Activities</u>		
Change in net assets	\$ (384,182)	188,674
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	81,683	71,183
Change in:		
Accounts receivable	(295,086)	(122,054)
Prepaid expenses	(80,763)	588
Accounts payable and accrued expenses	110,021	1,683
Refundable advances	4,665	(36,959)
Deferred rent payable	(7,052)	(7,054)
Net cash provided (used) by operating activities	<u>(570,714)</u>	<u>96,061</u>
<u>Investing Activities</u>		
Acquisition of property and equipment	<u>(187,424)</u>	<u>(19,765)</u>
Net cash used by investing activities	<u>(187,424)</u>	<u>(19,765)</u>
<u>Financing Activities</u>		
Proceeds from State of Indiana loans	374,407	-
Proceeds from Lighthouse Academies, Inc. loan	250,000	-
Principal repayments of other notes payable	<u>(76,666)</u>	<u>(76,667)</u>
Net cash provided (used) by financing activities	<u>547,741</u>	<u>(76,667)</u>
Net decrease in cash	(210,397)	(371)
Cash and cash equivalents, beginning of year	<u>537,151</u>	<u>537,522</u>
Cash and cash equivalents, end of year	<u>\$ 326,754</u>	<u>537,151</u>
Supplemental disclosures:		
Cash paid for interest expense	\$ 8,546	5,744
Non-cash investing and financing activities:		
Conversion of note payable into a rental obligation	\$ -	206,362

See accompanying notes to financial statements.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

General

East Chicago Lighthouse Charter School (the "School") is a public charter school established under Indiana Code 20-24-3-1 and sponsored by Ball State University. The sponsor has granted a charter to the school's organizer, Lighthouse Academies of Indiana, Inc. ("LAI"), a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. LAI is the organizer and governing body of five charter schools located in Indiana. LAI has entered into a service agreement with Lighthouse Academies, Inc., a not-for-profit organization incorporated in the State of Delaware to provide educational, managerial, legal, and financial services to the School.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Subsequent Events

The School evaluated subsequent events through October 29, 2012, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(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 is paid in equal monthly installments in January through December following the start of the school year. Revenue is recognized in the school year in which educational services are rendered.

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

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$5,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Leasehold improvements.....	10 years
Furniture and equipment	5 years

Taxes on Income

Lighthouse Academies of Indiana, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2012 and 2011, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

Taxes on Income, Continued

Professional standards require Lighthouse Academies of Indiana, Inc. to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Lighthouse Academies of Indiana, Inc. has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2011, 2010, and 2009 are open to audit for both federal and state purposes.

(2) Accounts Receivable

Accounts receivable for state education support as of June 30, 2012 and 2011 represent amounts due from the State of Indiana relating to the following sources:

	<u>2012</u>	<u>2011</u>
Tuition support	\$1,847,505	1,465,252
Special education grant	43,013	28,535
Restoration grant	<u> -</u>	<u>44,325</u>
	<u>\$1,890,518</u>	<u>1,538,112</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students. The payment schedule is likewise determined by state law, with tuition payable in equal monthly installments in the calendar year following the start of school. Upon revocation or termination of the charter, the payment streams will cease and any unpaid amounts will be applied to the unpaid balance of notes from the Indiana Common School Fund (see Note 3).

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(3) Long-Term Debt

Long-term debt at June 30, 2012 and 2011 was comprised of:

	<u>2012</u>	<u>2011</u>
Notes payable to Indiana Common School Fund.....	\$1,869,187	1,494,780
Note payable to Lighthouse Academies, Inc.	250,000	-
Note payable to Lighthouse Academies, Inc.	-	<u>76,666</u>
		1,571,446
Less current maturities	-	<u>(76,666)</u>
	<u>\$2,119,187</u>	<u>1,494,780</u>

The notes payable to the Indiana Common School Fund are comprised of five separate notes, each of which requires semi-annual payments of principal and interest over a period of 20 years with interest at 4.0% per annum. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. Payments are scheduled to commence again on July 1, 2013. The last note matures January 1, 2033. These notes are secured by unpaid tuition support distributions (see Note 2).

In 2012, the School executed a note payable to Lighthouse Academies, Inc. in the amount of \$250,000. The note provides for monthly interest payments at 4.5% per annum. Principal payments are due and payable at such times as the School has unencumbered funds to make a payment when considering other debts then currently owing. The remaining unpaid balance is due in July 2014. The note is secured by certain items of personal property. The School also had a second promissory note that provided for the balance of the loan and interest accrued at 4.5% per annum to be paid by June 30, 2012. For the years ended June 30, 2012 and 2011, the School made total principal and interest payments of \$85,212 and \$82,411, respectively relating to loans from Lighthouse Academies, Inc.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(3) Long-Term Debt, Continued

Future maturities of long-term debt are as follows:

<u>Year Ended June 30:</u>	
2013	\$ -
2014	95,466
2015	345,466
2016	95,466
2017	95,466
Thereafter	<u>1,487,323</u>
	<u>\$2,119,187</u>

(4) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this agreement were \$99,502 and \$90,657 for the years ended June 30, 2012 and 2011, respectively. The charter remains in effect until June 30, 2013, and is renewable thereafter by mutual consent.

Lighthouse Academies of Indiana, Inc. ("LAI") has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreement, LAI has agreed to pay an amount equal to 7.5% of revenues, as defined, for such services. Payments under this agreement were \$354,409 and \$286,601 for the years ended June 30, 2012 and 2011, respectively. This agreement remains in effect until June 30, 2013.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(5) Leases

The School leases classroom facilities and furniture from East Chicago Lighthouse Facility, LLC under a ten-year sublease agreement, which became effective July 1, 2010. East Chicago Lighthouse Facility, LLC is indirectly owned by Lighthouse Academies, Inc., which provides management services to the School. The lease required initial minimum monthly payments of \$15,000, with an annual escalator of 2%.

The School executed a lease agreement with Roman Catholic Diocese of Gary with regard to a second facility that became effective July 15, 2011. This lease requires minimum monthly rental of \$10,200 and expires on July 14, 2012. The School has the option to renew the lease at the existing rental rate plus 3%.

The School also leases textbooks, furniture and equipment on a regular basis under multiple leases. These leases are accounted for as operating leases and require monthly payments over a period of three years.

Total lease expense for the years ended June 30, 2012 and 2011 was \$291,596 and \$220,065, respectively. Minimum obligations under non-cancellable operating leases as of June 30, 2012 were as follows:

Year Ended June 30:

2013	\$229,663
2014	235,020
2015	218,119
2016	196,523
2017	198,735
Thereafter	620,371

(6) Retirement Plan

Effective August 1, 2010, all School personnel became employees of Lighthouse Academies, Inc., which provides management services to the School. At that time, School personnel became eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, the School will match 100% of employee contributions not to exceed 4% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the LAI board of directors. No discretionary contributions were made in 2012 and 2011. Retirement plan expense for the years ended June 30, 2012 and 2011 was \$30,638 and \$14,320, respectively.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(7) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2012 and 2011, the School had refundable grant advances in excess of expenditures of \$18,786 and \$14,121, respectively.

(8) Accounting Correction

In 2012, the School discovered that it had not been recording a liability for employee compensated absences. The School has corrected this error in accounting by restating previously issued financial statements. Net assets as of July 1, 2010 have been reduced by \$32,762 to reflect this correction. In addition, the excess of revenue over expenses for the year ended June 30, 2011 has been reduced by \$17,217 to reflect the effect of the correction.

(9) Risks and Uncertainties

The School provides education services to families residing in Lake and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2012, substantially all of the accounts receivable balance was due from the State of Indiana.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(10) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the years ended June 30, 2012 and 2011:

	<u>2012</u>			
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>	<u>Fundraising</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>	
Salaries and wages.....	\$1,745,981	272,537	275,330	-
Employee benefits	386,758	60,370	62,466	-
Staff development and recruitment.....	80,270	-	-	-
Academic services –				
Lighthouse Academies	-	-	364,637	-
Authorizer's oversight fee.....	-	-	99,502	-
Food service	-	339,468	-	-
Transportation service	-	198,085	-	-
Other professional services	258,615	-	95,984	-
Property and textbook rental.....	27,673	-	-	-
Classroom, kitchen and office supplies.....	273,586	29,059	22,368	-
Occupancy	436,485	68,133	70,497	-
Depreciation	61,994	9,677	10,013	-
Interest	-	-	78,264	-
Other.....	<u>41,774</u>	<u>6,583</u>	<u>38,252</u>	<u>24,222</u>
	<u>\$3,313,136</u>	<u>983,912</u>	<u>1,117,313</u>	<u>24,222</u>

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	2011			
	Educational Instruction	Education Support	Admini- strative	Fundraising
Salaries and wages.....	\$1,380,841	157,069	192,469	-
Employee benefits	299,877	33,746	37,652	-
Staff development and recruitment.....	61,725	-	-	-
Academic services – Lighthouse Academies	-	-	297,178	-
Authorizer's oversight fee.....	-	-	90,657	-
Food service	-	291,218	-	-
Transportation service	-	206,156	-	-
Other professional services	68,361	-	56,864	-
Property and textbook rental.....	25,518	-	-	-
Classroom, kitchen and office supplies.....	192,302	24,277	10,930	-
Occupancy	319,580	36,352	40,560	-
Depreciation	57,375	6,526	7,282	-
Interest	-	-	65,535	-
Other	<u>26,755</u>	<u>3,193</u>	<u>30,594</u>	<u>22,420</u>
	<u>\$2,432,334</u>	<u>758,537</u>	<u>829,721</u>	<u>22,420</u>

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		101,247
National School Lunch Program	10.555		203,930
Total for cluster			<u>305,177</u>
 Fresh Fruit and Vegetable Program	 10.582		 23,775
 Total for federal grantor agency			 <u>328,952</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010		281,653
ARRA--Grants to Local Educational Agencies,	84.389		10,793
Total for cluster			<u>292,446</u>
 Special Education Cluster			
Special Education - Grants to States	84.027		115,495
ARRA--Special Education - Grants to States	84.391		6,804
Total for cluster			<u>122,299</u>
 Charter Schools Program	 84.282		 138,992
 English Language Acquisition Grants	 84.365		 16,142
 Improving Teacher Quality State Grants	 84.367		 45,499
 Education Jobs Fund	 84.410		 87,481
 Total for federal grantor agency			 <u>702,859</u>
 Total federal awards expended			 <u>\$ 1,031,811</u>

See accompanying Independent Auditors' Report.
See accompanying notes to this schedule.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of East Chicago Lighthouse Charter School ("the School") under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Board of Directors
Lighthouse Academies of Indiana, Inc.

We have audited the financial statements of **East Chicago Lighthouse Charter School** ("the School") as of and for the year ended June 30, 2012 and have issued our report thereon dated October 29, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.


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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the School 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*.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Raymond Isaac".

Indianapolis, IN
October 29, 2012

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors
Lighthouse Academies of Indiana, Inc.

Compliance

We have audited the compliance of **East Chicago Lighthouse Charter School** ("the School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2012. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.


Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Indianapolis, IN
October 29, 2012

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditors' report issued on compliance for major program:	Unqualified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

I. Summary of Auditors' Results, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	
84.010	Grants to Local Educational Agencies
84.389	Cluster

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee: No

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

No matters were reported in the previous audit of the period July 1, 2009 to June 30, 2011.

EAST CHICAGO LIGHTHOUSE CHARTER SCHOOL

Other Reports

Year Ended June 30, 2012

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

Supplemental Audit Report of East Chicago Lighthouse Charter School

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.