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AN EQUAL OPPORTUNITY EMPLOYER

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February 6, 2013

Charter School Board  
Dr. Robert H. Faulkner Academy, Inc.  
1111 West 2<sup>nd</sup> Street  
Marion, IN 46952

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2010 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 Dr. Robert H. Faulkner Academy, Inc., as of June 30, 2012 and 2011, 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 Dr. Robert H. Faulkner Academy, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

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

*State Board of Accounts*

**DR. ROBERT H. FAULKNER ACADEMY, INC.**

*Financial Statements and Federal Single Audit Report*

*June 30, 2012 and 2011*

DR. ROBERT H. FAULKNER ACADEMY, INC.

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Dr. Robert H. Faulkner Academy, Inc.

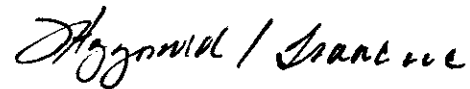
We have audited the accompanying statements of financial position of **Dr. Robert H. Faulkner Academy, Inc.** as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of Dr. Robert H. Faulkner Academy, 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 Dr. Robert H. Faulkner Academy, Inc. 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 December 28, 2012 on our consideration of Dr. Robert H. Faulkner Academy, Inc.'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.

A handwritten signature in black ink, appearing to read "H. J. ... / ...".

Indianapolis, IN  
December 28, 2012

DR. ROBERT H. FAULKNER ACADEMY, INC.

Statements of Financial Position

	June 30	
Assets	2012	2011
Current assets:		
Cash	\$ 258,017	373,631
Accounts receivable:		
State tuition support	589,132	549,891
Grants	4,492	25,604
Prepaid expense	694	3,114
Total current assets	852,335	952,240
Property and equipment:		
Furniture and equipment	317,787	275,867
Textbooks	108,086	108,086
	425,873	383,953
Less accumulated depreciation	(326,740)	(222,965)
Property and equipment, net	99,133	160,988
	\$ 951,468	1,113,228
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 105,504	126,876
Refundable advances	200	16,370
Total current liabilities	105,704	143,246
Accrued interest on Common School Fund loan	73,906	49,271
Long-term debt	615,882	615,882
Total liabilities	795,492	808,399
Unrestricted net assets	155,976	304,829
	\$ 951,468	1,113,228

See accompanying notes to financial statements.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Statements of Activities

	Year Ended June 30	
	2012	2011
<u>Revenue, Gains and Support</u>		
State education support	\$ 1,178,317	1,100,233
Grant revenue	288,358	351,190
Student fees	27,564	25,366
Contributions	700	4,490
Other income	7,364	4,552
Total revenue, gains and support	<u>1,502,303</u>	<u>1,485,831</u>
 <u>Expenses</u>		
Program services:		
Educational instruction	971,320	936,974
Education support	292,779	257,106
Administrative	387,057	372,733
Total expenses	<u>1,651,156</u>	<u>1,566,813</u>
 Decrease in net assets	(148,853)	(80,982)
 Net assets, beginning of year	<u>304,829</u>	<u>385,811</u>
 Net assets, end of year	<u>\$ 155,976</u>	<u>304,829</u>

See accompanying notes to financial statements.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Statements of Cash Flows

	Year Ended June 30	
	2012	2011
<u>Operating Activities</u>		
Change in net assets	\$ (148,853)	(80,982)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	103,775	103,313
Change in:		
Accounts receivable	(18,129)	31,506
Prepaid expense	2,420	6,248
Accounts payable and accrued expenses	3,263	25,585
Refundable advances	(16,170)	(88,943)
Net cash used by operating activities	<u>(73,694)</u>	<u>(3,273)</u>
<u>Investing Activities</u>		
Purchases of property and equipment	(41,920)	(61,907)
Net cash used by investing activities	<u>(41,920)</u>	<u>(61,907)</u>
Net decrease in cash	(115,614)	(65,180)
Cash, beginning of year	<u>373,631</u>	<u>438,811</u>
Cash, end of year	<u>\$ 258,017</u>	<u>373,631</u>
Supplementary information:		
Cash payments for interest expense	\$ -	-

See accompanying notes to financial statements.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

June 30, 2012 and 2011

(1) Summary of Significant Accounting Policies

General

Dr. Robert H. Faulkner Academy, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24-3-1 and is sponsored by Ball State University. The School has contracted The Leona Group, LLC to provide management and administrative services.

Accounting Estimates

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

Revenue Recognition

Revenues generally 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 the educational services are rendered.

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

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.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

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

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

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than \$1,000 are charged to expense as incurred.

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

Furniture and equipment .....	3 to 4 years
Textbooks .....	4 years

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through December 28, 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.

(2) Accounts Receivable

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

	<u>2012</u>	<u>2011</u>
Tuition support .....	\$576,474	474,395
Special education grant .....	12,658	11,259
Restoration grant .....	-	<u>64,237</u>
	<u>\$589,132</u>	<u>549,891</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 support payable in equal monthly installments in the calendar year following the start of the school year. 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).

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(3) Long-Term Debt

Long-term debt at June 30, 2012 and 2011 represents a loan from the Indiana Common School Fund. The loan requires semi-annual payments of principal and interest over a period of 20 years, with interest at 4% per annum. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. Payments will commence again on July 1, 2013. The note matures on January 1, 2033 and is secured by unpaid tuition support distributions (see Note 2).

Principal maturities under the loan agreement are as follows:

Year Ended June 30:

2013 .....	\$ -
2014 .....	30,794
2015 .....	30,794
2016 .....	30,794
2017 .....	30,794
Thereafter .....	<u>492,706</u>
	<u>\$615,882</u>

(4) Leases

The School leases its school facility as well as certain items of office equipment under operating leases for terms from four to five years. Expense under operating leases for the years ended June 30, 2012 and 2011 was \$98,652 and \$98,724, respectively. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows:

Year Ending June 30:

2013 .....	\$98,922
2014 .....	2,922
2015 .....	2,922
2016 .....	2,922

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(5) 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 \$200 and \$16,370, respectively.

(6) Retirement Plans

Retirement benefits for school employees are provided through The Leona Group, LLC in the form of a 401(k) plan. Under the plan, the School matches employee contributions dollar-for-dollar up to 6% of base income. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$4,082 and \$5,265 for the years ended June 30, 2012 and 2011, respectively.

(7) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was \$34,224 and \$28,478 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.

The School has contracted with The Leona Group, LLC to provide on-going consulting services with regard to school administration and management, training, and grant writing. Under the terms of the agreement, the School has agreed to pay an amount equal to 2% of revenues, as defined, for these services. Such fees for the years ended June 30, 2012 and 2011 were \$23,147 and \$23,147, respectively. Additionally, the School has also contracted with The Leona Group, LLC to provide employee leasing services. Under the terms of the agreement, the School has agreed to pay an amount equal to 4% of revenues, as defined, for this service. Such fees for the years ended June 30, 2012 and 2011 were \$45,563 and \$46,294, respectively.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(8) Risks and Uncertainties

The School provides educational instruction services to families residing in Grant 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. In addition, deposits maintained at Star Financial Bank occasionally exceed the FDIC insurance limit.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(9) Functional Expense Reporting

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

	<u>2012</u>		
	<u>Educational</u> <u>Instruction</u>	<u>Education</u> <u>Support</u>	<u>Admini-</u> <u>strative</u>
Salaries and wages.....	\$504,043	81,857	151,492
Employee benefits .....	158,278	27,805	43,263
Professional services .....	56,110	54,324	76,602
Staff development and recruitment.....	12,872	-	-
Equipment .....	9,918	-	-
Authorizer oversight fee.....	-	-	34,224
Administrative service fee.....	-	-	23,147
Food costs.....	-	78,360	-
Repairs and maintenance.....	-	37,406	-
Classroom, kitchen and office supplies.....	8,986	11,280	10,015
Occupancy .....	117,229	-	-
Depreciation .....	103,775	-	-
Interest .....	-	-	24,635
Insurance .....	-	-	16,331
Other .....	<u>109</u>	<u>1,747</u>	<u>7,348</u>
	<u>\$971,320</u>	<u>292,779</u>	<u>387,057</u>

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to Financial Statements

(9) Functional Expense Reporting, Continued

	<u>2011</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>
Salaries and wages.....	\$498,091	81,134	149,459
Employee benefits .....	147,613	21,990	42,294
Professional services .....	26,870	54,795	76,134
Staff development and recruitment.....	18,556	-	150
Equipment .....	11,929	-	-
Authorizer oversight fee.....	-	-	28,478
Administrative service fee.....	-	-	23,147
Food costs.....	-	68,555	-
Repairs and maintenance.....	-	19,335	-
Classroom, kitchen and office supplies.....	16,627	10,097	9,728
Occupancy .....	113,975	-	-
Depreciation .....	103,313	-	-
Interest.....	-	-	24,635
Insurance .....	-	-	11,036
Other.....	-	1,200	7,672
	<u>\$936,974</u>	<u>257,106</u>	<u>372,733</u>

DR. ROBERT H. FAULKNER ACADEMY, INC.

Schedule of Expenditures of Federal Awards

Years Ended June 30, 2012 and 2011

<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>2012</u>	<u>2011</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-Through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 12,388	10,296
National School Lunch Program	10.555		56,094	47,500
Total for cluster			<u>68,482</u>	<u>57,796</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		58,775	48,934
ARRA--Grants to Local Educational Agencies,	84.389		12,346	7,585
Total for cluster			<u>71,121</u>	<u>56,519</u>
Special Education Cluster				
Special Education - Grants to States	84.027		34,736	27,385
ARRA--Special Education - Grants to States	84.391		3,371	4,569
Total for cluster			<u>38,107</u>	<u>31,954</u>
Charter Schools Program	84.282		49,290	133,848
Improving Teacher Quality State Grants	84.367		6,177	9,681
Education Jobs Fund	84.410		14,478	25,605
Total federal awards expended			<u>\$ 247,655</u>	<u>315,403</u>

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

DR. ROBERT H. FAULKNER ACADEMY, INC.

Notes to the Schedule of Expenditures of Federal Awards

Years Ended June 30, 2012 and 2011

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Dr. Robert H. Faulkner Academy, Inc. ("the School") under programs of the federal government for the years ended June 30, 2012 and 2011. 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  
Dr. Robert H. Faulkner Academy, Inc.

We have audited the financial statements of **Dr. Robert H. Faulkner Academy, Inc.** ("the School") as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated December 28, 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

The management of the School is responsible for establishing and maintaining effective 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.



Indianapolis, IN  
December 28, 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  
Dr. Robert H. Faulkner Academy, Inc.

Compliance

We have audited the compliance of **Dr. Robert H. Faulkner Academy, Inc.** ("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 years ended June 30, 2012 and 2011. 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 years ended June 30, 2012 and 2011.

## 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  
December 28, 2012

DR. ROBERT H. FAULKNER ACADEMY, INC.

Schedule of Findings and Questioned Costs

Years Ended June 30, 2012 and 2011

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

DR. ROBERT H. FAULKNER ACADEMY, INC.

Schedule of Findings and Questioned Costs

Years Ended June 30, 2012 and 2011

I. Summary of Auditors' Results, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.282	Charter Schools Program
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.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Summary Schedule of Prior Audit Findings

Years Ended June 30, 2012 and 2011

The School did not meet the requirements for an audit in accordance with OMB Circular A-133 in the previous audit of the period July 1, 2008 to June 30, 2010.

DR. ROBERT H. FAULKNER ACADEMY, INC.

Other Reports

Years Ended June 30, 2012 and 2011

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

Supplemental Audit Report of Dr. Robert H. Faulkner Academy, Inc.

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*.