B41954

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

March 14, 2013

Charter School Board
Southeast Neighborhood School of Excellence, Inc.
1601 Barth Avenue
Indianapolis, IN 46203

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, LLP, 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 Southeast Neighborhood School of Excellence, Inc., 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.

We call your attention to the findings in the report. Page 22 contains the status of one prior audit finding.

In addition to the report presented herein, a Supplemental Audit Report for Southeast Neighborhood School of Excellence, 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

Southeast Neighborhood School of Excellence, Inc.

Financial Statements
With Supplemental Information
June 30, 2012

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 1-2

FINANCIAL STATEMENTS:

STATEMENT OF FINANCIAL POSITION 3-4

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS 5

STATEMENT OF CASH FLOWS 6

NOTES TO FINANCIAL STATEMENTS 7-13

OTHER REPORTS AND SUPPLEMENTARY INFORMATION:

SCHEDULE OF FUNCTIONAL EXPENSE 14

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* 15-16

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 17

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 22

OTHER REPORT 23

Sikich®

8555 N. River Rd., Suite 300
Indianapolis, Indiana 46240

317.842.4466 // www.sikich.com

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Southeast Neighborhood School of Excellence, Inc.:

We have audited the accompanying statement of financial position of Southeast Neighborhood School of Excellence, Inc. (an Indiana non-profit organization) as of June 30, 2012, and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Southeast Neighborhood School of Excellence, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit 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 audit provides 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 Southeast Neighborhood School of Excellence, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year 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 January 17, 2013, on our consideration of Southeast Neighborhood School of Excellence, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 accessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. 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, *Audit of States, Local Governments, and Non-Profit Organization, and State Board of Audit Reports* and is also 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 basic 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
January 17, 2013

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS:	
Cash	$ 107,513
Grants receivable	1,026,710
Prepaid expenses	10,533
Total Current Assets	1,144,756
PROPERTY AND EQUIPMENT:	
Furniture and equipment	264,108
Computer hardware	47,098
Computer software	36,795
Leasehold improvements	48,328
Books and educational materials	169,728
Less: accumulated depreciation	(408,072)
Total Property and Equipment, net	157,985
	$ 1,302,741

See accompanying notes to financial statements.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENT OF FINANCIAL POSITION
(continued)
JUNE 30, 2012

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	$	86,640
Current portion of note payable		64,199
Accrued payroll		47,514
Total Current Liabilities		198,353
LONG TERM LIABILITIES:		
Common School Loan		743,902
Note payable, net of current portion		148,800
Accrued interest - Common School Loans		94,695
Total Long Term Liabilities		987,397
Total Liabilities		1,185,750
NET ASSETS:		
Unrestricted		114,552
Temporary restricted		2,439
Total Net Assets		116,991
	$	1,302,741

See accompanying notes to financial statements.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
School lunch program	$ 6,320	$ -	$ 6,320
In-kind contributions	40,000	-	40,000
Student fees	5,122	-	5,122
Contributions and donations	38,487	-	38,487
Grant revenue	2,646,045	2,439	2,648,484
Other revenue	9,835	-	9,835
Net assets released from restrictions by satisfaction of temporary restrictions	8,837	(8,837)	-
Total Revenues and Support	2,754,646	(6,398)	2,748,248
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	2,472,110	-	2,472,110
Supporting services:			
General and administrative	344,459	-	344,459
Fundraising	3,928	-	3,928
Total Expenses	2,820,497	-	2,820,497
CHANGE IN NET ASSETS	(65,851)	(6,398)	(72,249)
NET ASSETS, beginning of year			
As previously reported	286,780	8,837	295,617
Prior period adjustment for understatement of accrued interest from Common School Loans, accrued expenses and accounts payable.	(106,377)	-	(106,377)
NET ASSETS, beginning of year			
As restated	180,403	8,837	189,240
NET ASSETS, end of year	$ 114,552	$ 2,439	$ 116,991

See accompanying notes to the financial statements.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (72,249)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	39,242
(Increase) decrease in:	
Grants receivable	(11,377)
Prepaid expense	31,095
Increase (decrease) in:	
Accounts payable	24,875
Accrued interest	94,695
Accrued payroll	47,514
NET CASH PROVIDED BY OPERATING ACTIVITIES	153,795
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(44,029)
NET CASH USED BY INVESTING ACTIVITIES	(44,029)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Long-term debt repayments	(67,595)
NET CASH USED BY FINANCING ACTIVITIES	(67,595)
NET INCREASE IN CASH	42,171
CASH AND CASH EQUIVALENTS - beginning of year	65,342
CASH AND CASH EQUIVALENTS - end of year	$ 107,513

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Southeast Neighborhood School of Excellence, Inc. (the "School") was incorporated March 21, 2003, under the laws of the State of Indiana and commenced operations in September 2002. The School is a community driven elementary school that nurtures academic excellence, social development, and civic responsibility in every individual. The School seeks to build a strong foundation for learning and living by creating in its students a thirst for knowledge and an enthusiasm for learning.

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

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

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

> ***Unrestricted net assets -*** Unrestricted amounts are those currently available for use in the School's activities.
>
> ***Temporarily restricted net assets -*** Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of June 30, 2012, the School had $2,439 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, 2012, the School had no permanently restricted net assets.

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

In the normal course of business, the School may maintain cash held at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.

Grants Receivable - Grants receivable represent the uncollected portion of funds from grants awarded to the School.

Grant receivables are reported net of an allowance for doubtful accounts. There were no allowances, as of June 30, 2012, based on management's estimate of the amount of receivables that will actually be collected. Grant receivables are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

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 property and equipment in excess of $1,000 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 40 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 $39,242 for the year ended June 30, 2012.

Impairment of long-lived assets - The School evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed for the year ended June 30, 2012.

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

The School received $40,000 of in-kind contributions during the year ended June 30, 2012. At June 30, 2012, these amounts consist of nursing services provided at no charge. Volunteers provide program services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under Contributions Disclosure Topic of FASB ASC. These services include volunteering at events, picking up donations, and various clerical work.

Revenue Recognition - The School reports grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the grant is received, the School reports the support as unrestricted.

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

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

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

Advertising - The School expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2012 was $7,210.

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 2008 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 of 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, 2012.

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

Operating Funds from the Indiana Department of Education amounted to 72% of the School's support and revenue in June 30, 2012. 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.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Education - The School offers a solid, research-based curriculum to elementary students. Teachers actively select instructional programs and strategies that support the national language arts and mathematics Core Curriculum, and Indiana State Standards. Special Area classes include art, Skill Builders, music, physical education, and technology education. Students with special needs attend pull-out class sessions to support their Individual Education Plans.

NOTE 3 - OPERATING LEASES

The School entered into a 10 year lease with Southeast Neighborhood Development, Inc., an unrelated party, for educational facilities located at 1601 Barth Avenue, Indianapolis, Indiana. The lease, which expires in August 31, 2014, requires monthly payments ranging from $26,931 to $36,750. During the year ended June 30, 2012, $362,520 was expensed for office rent.

The School also leases computer equipment from CSC Leasing Company and copiers from Toshiba Financial Services. The leases with CSC Leasing Company and Toshiba Financial Services will both expire December 2014. During the year ended June 30, 2012, $37,520 was expensed.

The future minimum rental payments required under the operating leases for the years subsequent to June 30, 2012 are as follows:

Year	Amount
2013	$ 367,061
2014	356,493
2015 and thereafter	68,017
	$ 791,571

NOTE 4 - PENSION PLAN

Indiana Public Retirement System

Plan Description

The School elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011. The School contributes to INPRS, an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. INPRS is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. INPRS is a qualified plan under Internal Revenue Code Section 401(a) and is tax exempt.

INPRS is a contributory defined benefit plan that covers substantially all School employees. INPRS retirement benefits vest after 10 years of service. Senate Bill 74 enabled INPRS participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the pension benefit at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of INPRS-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement.

Participants who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

Participants have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol, Suite 001, Indianapolis, Indiana 46204.

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

The School contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The School currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

NOTE 5 - LONG-TERM DEBT ACTIVITY

Long-term debt included the following at June 30, 2012:

Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 1, 2031 (a)	$ 197,123
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 1, 2013 (a)	1,539
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in January 1, 2031 (a)	187,071
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 1, 2029 (a)	358,169
Total Common School Loans	743,902
Loan Payable in monthly installments, including interest computed at 4.89%, Through maturity in July 1, 2015	212,999
Less: current maturities	(64,199)
Total Long-term Debt	$ 892,702

(a) The State of Indiana advanced funds from the Common School Fund to assist the School during its initial years of operations. Under the terms of the agreements with the State of Indiana, the School agreed to repay these loans through deductions from the School's share of State Tuition Support. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. Payments will commence on July 1, 2013.

At June 30, 2012, the debt service requirements of loans payable were as follows:

Year Ending	Total Principal	Total Interest	Total Debt Service
June 30,2014	$ 117,747	$ 153,862	$ 271,609
June 30,2015	118,103	29,554	147,657
June 30,2016	42,755	25,847	68,602
June 30,2017	42,755	24,136	66,891
June 30,2018- and thereafter	571,342	159,094	730,436
	$ 892,702	$ 392,493	$ 1,285,195

Total interest paid during the year ended June 30, 2012 was $45,274.

NOTE 6 - LINE OF CREDIT

The School has a $50,000 non revolving bank line of credit expiring July 2012. As of June 30, 2012, there were no borrowings against this line. The line is secured by distributions of property tax revenue. Interest varies with the 30-day Libor rate plus 2.5% and is payable monthly. The effective interest rate as of June 30, 2012, was 2.84%.

There was no interest paid on the line of credit during the year ended June 30, 2012.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 are available for the following purposes:

School Technology Grant	$	2,489
	$	2,489

During June 30, 2012, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

School Technology Grant	$	50
Title I		3,942
Education Jobs		4,845
	$	8,837

NOTE 8 - PRIOR PERIOD ADJUSTMENT

During 2012, the School discovered that interest expense for common school loans from the State of Indiana was understated by $61,860 in the prior year. As a result, a prior period adjustment has been made to increase the accrued interest – Common School Loan account balance and decrease unrestricted net assets. The School also discovered that accounts payable and accrued expenses were understated by $44,517 in prior years. As a result, a prior period adjustment has been made to decrease payroll and accrued expense accounts, and decrease the balance in unrestricted net assets.

NOTE 9 - SUBSEQUENT EVENT

In preparing these financial statements, the School has evaluated subsequent events and transactions for potential recognition or disclosure through January 17, 2013, the date the financial statements were available to be issued.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2012

	Program Service Expenses			Supporting Services		
	Grants	Academics	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	194,541	1,146,415	1,340,956	190,773	3,693	1,535,422
Instructional services	106,436	47,398	153,834	-	-	153,834
Information technology	5,346	11,258	16,604	11,069	-	27,673
Accounting services	-	-	-	51,871	-	51,871
Other outside services	2,285	-	2,285	7,410	-	9,695
Course materials/supplies	39,947	53,411	93,358	17,709	-	111,067
Nutritional support	188,749	-	188,749	4,591	-	193,340
Sales and marketing	-	-	-	-	40	40
Travel and entertainment	-	1,492	1,492	629	-	2,121
Vehicle/transportation expense	-	79,570	79,570	-	-	79,570
Rent and facilities	5,769	448,612	454,381	50,685	-	505,066
Field Trips	4,680	680	5,360	-	-	5,360
Depreciation and amortization	-	35,319	35,319	3,924	-	39,243
Interest expense	-	44,355	44,355	919	-	45,274
Insurance	-	29,697	29,697	3,544		33,241
Advertising expenses	-	7,015	7,015	-	195	7,210
Small equipment purchases	-	19,135	19,135		-	19,135
Miscellaneous	-	-	-	1,335	-	1,335
Total direct program expenses	547,753	1,924,357	2,472,110	344,459	3,928	2,820,497

Sikich®

317.842.4466 // www.sikich.com

8555 N. River Rd., Suite 300
Indianapolis, Indiana 46240

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

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*

To the Board of Directors
of Southeast Neighborhood School of Excellence, Inc.
Indianapolis, Indiana:

We have audited the financial statements of Southeast Neighborhood School of Excellence, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated January 17, 2013. 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

Management of Southeast Neighborhood School of Excellence, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Southeast Neighborhood School of Excellence, Inc.'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 entity'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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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 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 Southeast Neighborhood School of Excellence, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of Southeast Neighborhood School of Excellence, Inc.'s Board of Directors, management, others within the School, 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.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
January 17, 2013

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2011-2012	$ 52,140
National School Lunch Program	10.555	FY 2011-2012	146,428
Total for Child Nutrition Cluster			198,568
Total for U.S. Department of Agriculture			198,568
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
ARRA-Education Technology State Grants*	84.386	FY 2010-2011	3,059
Special Education Cluster (IDEA)			
Special Education Grants to States	84.027	FY 2010-2011	5,810
		FY 2011-2012	38,514
Total Special Education Cluster (IDEA)			44,324
Title I, Part A Cluster	84.010	FY 2010-2011	64,276
Title I Grants to Local Educational Agencies		FY 2011-2012	243,997
Total Title I, Part A Cluster			308,273
ARRA-Education Jobs Fund*	84.410	FY 2010-2011	5,766
English Language Acquisition Grants	84.365	FY 2011-2012	1,129
Improving Teacher Quality State Grants	84.367	FY 2010-2011	2,653
		FY 2011-2012	17,445
Total for program			20,098
Total U.S. Department of Education			382,649
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 581,217

** Grant relates to the American Recovery and Reinvestment Act of 2009*

NOTE 1 – BASIS OF PRESENTATION

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

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

Sikich®

317.842.4466 // www.sikich.com

8555 N. River Rd., Suite 300
Indianapolis, Indiana 46240

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

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 A-133

To the Board of Directors
of Southeast Neighborhood School of Excellence, Inc.
Indianapolis, Indiana:

Compliance

We have audited Southeast Neighborhood School of Excellence, Inc.'s compliance with types of compliance requirements described in the *U.S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southeast Neighborhood School of Excellence, Inc.'s major federal programs for the year ended June 30, 2012. Southeast Neighborhood School of Excellence, Inc.'s major federal programs are identified in the summary of auditors' 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 Southeast Neighborhood School of Excellence, Inc.'s management. Our responsibility is to express an opinion on Southeast Neighborhood School of Excellence, Inc.'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 audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit 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 Southeast Neighborhood School of Excellence, Inc.'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 on Southeast Neighborhood School of Excellence, Inc.'s compliance with those requirements.

In our opinion, Southeast Neighborhood School of Excellence, Inc. 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 Southeast Neighborhood School of Excellence, Inc. 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 Southeast Neighborhood School of Excellence, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order 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 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 Southeast Neighborhood School of Excellence, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designated to identify all deficiencies in internal control 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 Southeast Neighborhood School of Excellence, Inc.'s Board of Directors, management, others within the School, 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.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
January 17, 2013

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- Type of auditors' report issued: **unqualified**

Government Auditing Statements

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? ____ Yes __X__ No

Compliance:

- Noncompliance material to financial statements noted? ____ Yes __X__ No

OMB Circular A-133:

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ____ Yes __X__ No

Compliance with requirements applicable to each major program:

- Identification of major programs: **Title I, Part A Cluster**

- Dollar threshold used to distinguish between type A type B programs: **$ 300,000**
- Auditee qualified as low-risk auditee? ____ Yes __X__ No
- Type of auditors' report issued on compliance for major programs: **unqualified**
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ____ Yes __X__ No

SECTION II – FINANCIAL STATEMENTS FINDINGS

- *None*

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- *None*

FINDING NO. 2011-1 INTERNAL CONTROLS OVER CASH MANAGEMENT

Federal Agency:	U.S. Department of Education
Pass-Through Entity:	Indiana Department of Education
Federal Program:	Title I, Part A Cluster
CFDA Numbers:	84.010, 84.389
Award Year:	FY 2009-2010

Condition

This finding was a significant deficiency stating that cash advances were received in excess of immediate cash needs resulting in excessive cash balance for 6 out of 12 months that were examined.

Recommendation

The auditor recommended the School Corporation officials develop and implement procedures and controls to ensure that the time between the receipt and disbursement of federal funds is minimized according to the grant requirements.

Current Status

The recommendation was adopted. The School no longer requests cash in advance of the disbursement of federal funds. No similar finding was noted in the 2012 audit.

SOUTHEAST NEIGHBORHOOD SCHOOL OF EXCELLENCE, INC.
OTHER REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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

Supplemental Audit Report of Southeast Neighborhood School of Excellence, Inc.