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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
Flanner House Elementary School, Inc.
2424 Dr. Martin Luther King Jr. Street
Indianapolis, IN 46208

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, LLP, Independent Public Accountants, for the period July 1, 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 Flanner House Elementary School, 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.

In addition to the report presented herein, a Supplemental Audit Report for Flanner House Elementary School, 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

Flanner House Elementary School, Inc.

Financial Statements
With Supplemental Information
June 30, 2012

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TABLE OF CONTENTS

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

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Flanner House Elementary School, Inc.
Indianapolis, Indiana:

We have audited the accompanying statement of financial position of Flanner House Elementary School, 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 Flanner House Elementary School, 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 Flanner House Elementary School, 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 25, 2013, on our consideration of Flanner House Elementary School, 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 assessing 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 25, 2013

FLANNER HOUSE ELEMENTARY SCHOOL, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS:		
Cash	$	80,339
Grants receivable		717,240
Prepaid expenses		12,260
Total Current Assets		809,839
PROPERTY AND EQUIPMENT:		
Furniture and equipment		91,496
Computer hardware		102,316
Computer software		1,548
Leasehold improvements		240,795
Books and educational materials		280,297
Less: accumulated depreciation		(351,241)
Total Property and Equipment, net		365,211
	$	1,175,050

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	$	39,867
Line of credit		54,911
Accrued payroll		33,808
Total Current Liabilities		128,586
NET ASSETS:		
Unrestricted		1,046,464
Total Net Assets		1,046,464
	$	1,175,050

See accompanying notes to the financial statements.

FLANNER HOUSE ELEMENTARY SCHOOL, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
School lunch program	$ 13,174	$ -	$ 13,174
Student fees	486	-	486
Contributions and donations	2,228	-	2,228
Textbook rental	1,101	-	1,101
Grant revenue	1,928,919	-	1,928,919
Interest income	192	-	192
Other revenue	18,782	-	18,782
Net assets released from restrictions by satisfaction of temporary restrictions	28,810	(28,810)	-
Total Revenues and Support	1,993,692	(28,810)	1,964,882
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	1,485,688	-	1,485,688
Supporting services:			
General and administrative	507,952	-	507,952
Total Expenses	1,993,640	-	1,993,640
CHANGE IN NET ASSETS	52	(28,810)	(28,758)
NET ASSETS, beginning of year	1,046,412	28,810	1,075,222
NET ASSETS, end of year	$ 1,046,464	$ -	$ 1,046,464

See accompanying notes to the financial statements.

FLANNER HOUSE ELEMENTARY SCHOOL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ (28,758)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	63,328
(Increase) decrease in:	
Grants receivable	(20,293)
Prepaid expense	(1,324)
Increase (decrease) in:	
Accounts payable	(796)
Accrued payroll	1,405
NET CASH PROVIDED BY OPERATING ACTIVITIES	13,562
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(67,009)
NET CASH USED BY INVESTING ACTIVITIES	(67,009)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Long-term debt borrowings	31,000
Long-term debt repayments	(67,472)
NET CASH USED BY FINANCING ACTIVITIES	(36,472)
NET DECREASE IN CASH	(89,919)
CASH AND CASH EQUIVALENTS - beginning of year	170,258
CASH AND CASH EQUIVALENTS - end of year	$ 80,339

See accompanying notes to the financial statements.

FLANNER HOUSE ELEMENTARY SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Flanner House Elementary School, Inc. (the “School”) was incorporated March 14, 2002, under the laws of the State of Indiana and commenced operations in September 2002. The school provides all students with a high level of academic skills to prepare them for lives of vision and consequence in the 21st century. Students are provided with a positive learning environment, challenging each individual to maintain the highest traits which are distinctly human: reason, creativity, curiosity, and compassion.

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

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 $63,328 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.

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 $725.

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

The School has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. In the normal course of business, the School is subject to examination by taxing authorities. The School's tax returns for years subsequent to fiscal year 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 amounts in excess of FDIC insured limits as of 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 73% of the School's support and revenue at 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 base of knowledge and the skills needed for further inquiry and participation in a global society. The school is also committed to enhancing the intellectual, social, emotional and physical well being of each student. Teachers attended staff development with an Open Court Curriculum Consultant, thus enhancing their skills and knowledge of this language and reading curriculum. The school continues to offer a program and environment that draws out the artist, musician, and poet in each student.

NOTE 3 - OPERATING LEASES

The School entered into a one year lease with Flanner House of Indianapolis, Inc., an unrelated party, for educational facilities located at 2424 Dr. Martin Luther King Jr. Street, Indianapolis, Indiana. The lease, which expires on June 30, 2012, requires a monthly payment of $6,934. The School may renew the lease for an extended term of one year immediately following the end of the initial term; however, the school must provide a written notice 30 days prior to the end of its initial lease. During the year ended June 30, 2012, $83,207 was expensed for office rent. The School extended this lease for an additional year though June 30, 2013.

During 2009, the school entered into a lease with Tyson for nine modular classrooms. The lease, which expired July 2011, required monthly payments of $6,120. The school continued the lease on a month-to-month basis. During the year ended June 30, 2012, $73,440 was expensed for modular classroom rent.

The School also leases a copier from LEAF Capital Funding, LLC. The lease will expire February 2016, and requires a monthly payment of $509. During the year ended June 30, 2012, $6,108 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	$ 89,315
2014	6,108
2015	6,108
2016	4,072
	$ 105,603

NOTE 4 - PENSION PLAN

403(b) Plan

The School's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants may contribute to the Plan. There was no employer match contributions to the Plan in the year ended June 30, 2012.

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 earnings 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 - LINE OF CREDIT

The School maintains a $100,000 revolving bank line of credit, which expires November 9, 2012. At June 30, 2012, there was $54,911 borrowed against this line. The line is secured by the assets of the School. Interest varies with the bank's prime rate plus 1%, which was 3.25% on June 30, 2012, and is payable monthly. Interest paid was $3,392 for the year ended June 30, 2012.

The School also has a $10,000 line of credit with Dell Financial Services. At June 30, 2012, there was no balance outstanding against this line of credit. The line is unsecured. Interest is fixed at 27.99% on June 30, 2012 and is payable monthly. Interest paid was $1,539 for the year ended June 30, 2012.

NOTE 6- TEMPORARILY RESTRICTED NET ASSETS

As of June 30, 2012, the School had no temporarily restricted net assets.

During the year ended 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.

Education Jobs	$ 769
Facilities Grant	28,041
	$ 28,810

NOTE 7 - SUBSEQUENT EVENT

In preparing these financial statements, the School has evaluated subsequent events and transactions for potential recognition or disclosure through January 25, 2013, the date the financial statements were available to be issued.

FLANNER HOUSE ELEMENTARY SCHOOL, 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	$ 364,455	$ 738,155	$ 1,102,610	$ 252,306	$ -	$ 1,354,916
Instructional services	6,284	80	6,364	-	-	6,364
Information technology	1,102	-	1,102	32,368	-	33,470
Accounting services	-	-	-	44,606	-	44,606
Other outside services	3,061	44,993	48,054	18,445	-	66,499
Course materials/supplies	-	15,949	15,949	14,703	-	30,652
Nutritional support	143,170	-	143,170	-	-	143,170
Sales and marketing	-	-	-	5,204	-	5,204
Rent and facilities	55,166	77,734	132,900	35,631	-	168,531
Depreciation and amortization	-	35,539	35,539	27,789	-	63,328
Interest expense	-	-	-	4,931	-	4,931
Insurance	-	-	-	32,944	-	32,944
Advertising expenses	-	-	-	725	-	725
Small equipment purchases	-	-	-	6,519	-	6,519
Moveable equipment	-	-	-	12,585	-	12,585
Operational expense	-	-	-	8,397	-	8,397
Miscellaneous	-	-	-	10,799	-	10,799
Total direct program expenses	$ 573,238	$ 912,450	$ 1,485,688	$ 507,952	$ -	$ 1,993,640

See accompanying notes to the financial statements.

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

To the Board of Directors
of Flanner House Elementary School, Inc.
Indianapolis, Indiana:

We have audited the financial statements of Flanner House Elementary School, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated January 25, 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 Flanner House Elementary School, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Flanner House Elementary School, 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 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 Flanner House Elementary School, 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 Flanner House Elementary School, 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 25, 2013

FLANNER HOUSE ELEMENTARY SCHOOL, 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			
National School Lunch Program	10.555	FY 2011-2012	$ 82,441
School Breakfast Program	10.553	FY 2011-2012	34,080
Total for Child Nutrition Cluster			116,521
Total for U.S. Department of Agriculture			116,521
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Special Education Cluster (IDEA)-Cluster			
Special Education Grants to States	84.027	FY 2011-2012	46,956
Title I, Part A Cluster-Cluster	84.010	FY 2011-2012	118,093
Title I Grants to Local Educational Agencies		FY 2010-2011	66,846
Total Title I, Part A Cluster-Cluster			184,939
ARRA-Education Jobs Fund	84.410	FY 2010-2011	4,567
School Improvement Grants	84.377	FY 2011-2012	25,042
Charter Schools	84.282	FY 2011-2012	55,166
		FY 2010-2011	28,041
Total for program			83,207
Improving Teacher Quality State Grants	84.367	FY 2010-2011	23,112
		FY 2009-2010	22,038
Total for program			45,150
Total U.S. Department of Education			389,861
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 506,382

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

See accompanying Independent Auditors' Report.
See accompanying notes to the financial statements.

FLANNER HOUSE ELEMENTARY SCHOOL, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards include the federal grant activity of Flanner House Elementary School, 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.

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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

To the Board of Directors
of Flanner House Elementary School, Inc.
Indianapolis, Indiana:

Compliance

We have audited Flanner House Elementary School, 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 Flanner House Elementary School, Inc.'s major federal programs for the year ended June 30, 2012. Flanner House Elementary School, 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 Flanner House Elementary School, Inc.'s management. Our responsibility is to express an opinion on Flanner House Elementary School, 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 Flanner House Elementary School, 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 Flanner House Elementary School, Inc.'s compliance with those requirements.

In our opinion, Flanner House Elementary School, 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 Flanner House Elementary School, 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 Flanner House Elementary School, 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 Flanner House Elementary School, 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 designed 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 Flanner House Elementary School, 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 25, 2013

FLANNER HOUSE ELEMENTARY SCHOOL, 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: **84.010 Title I, Part A Cluster, Child Nutrition 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*

FLANNER HOUSE ELEMENTARY SCHOOL, 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 Flanner House Elementary School, Inc.