STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B41960

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
Paramount School of Excellence, Inc.
3020 Nowland Avenue
Indianapolis, IN 46201

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, LLP, 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 Paramount School of Excellence, Inc., as of June 30, 2012 and 2011, and the results of its operations for the periods then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Paramount 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

Paramount School of Excellence, Inc.

Financial Statements
With Supplemental Information
June 30, 2012 and 2011

sikich.com

TABLE OF CONTENTS

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
Paramount School of Excellence, Inc.
Indianapolis, IN:

We have audited the accompanying statements of financial position of Paramount School of Excellence, Inc. (an Indiana non-profit organization) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Paramount School of Excellence, Inc.'s management. 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; 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 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 Paramount School of Excellence, 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 February 23, 2013, on our consideration of Paramount 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 assessing the results of our audits.

Our audits were 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
February 23, 2013

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS:		
Cash	$ 1,140,462	$ 339,122
Grants receivable	1,730,186	1,199,167
Prepaid expenses	19,011	69,427
Total Current Assets	2,889,659	1,607,716
PROPERTY AND EQUIPMENT:		
Furniture and equipment	639,294	555,569
Computer hardware	314,577	308,089
Computer software	89,453	51,185
Leasehold improvements	1,351,296	-
Books and educational materials	129,231	68,924
Less: accumulated depreciation	(692,757)	(161,585)
Total Property and Equipment, net	1,831,094	822,182
OTHER ASSETS:		
Lease deposit	50,000	50,000
	$ 4,770,753	$ 2,479,898

See accompanying notes to the financial statements.

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF FINANCIAL POSITION
(continued)
JUNE 30, 2012 AND 2011

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES:		
Accounts payable	$ 263,240	$ 68,473
Current portion of obligation under capital leases	92,808	82,311
Current portion of loan payable	143,111	49,045
Accrued payroll	36,357	23,204
Total Current Liabilities	535,516	223,033
LONG TERM LIABILITIES:		
Accrued interest - Common School Loans	29,145	-
Common School Loan	1,645,113	1,369,710
Obligation under capital leases, net of current portion	14,798	111,375
Loan payable, net of current portion	1,020,141	-
Total Long Term Liabilities	2,709,197	1,481,085
NET ASSETS:		
Unrestricted	1,443,649	657,532
Temporarily restricted	82,391	118,248
Total Net Assets	1,526,040	775,780
	$ 4,770,753	$ 2,479,898

See accompanying notes to the financial statements.

PARAMOUNT 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	$ 3,844	$ -	$ 3,844
Student fees	4,058	-	4,058
Contributions and donations	20,633	-	20,633
Grant revenue	4,664,921	28,637	4,693,558
Overpayments and reimbursements	2,449	-	2,449
Interest income	1,594	-	1,594
Other revenue	6,252	-	6,252
Net assets released from restrictions by satisfaction of temporary restrictions	64,494	(64,494)	-
Total Revenues and Support	4,768,245	(35,857)	4,732,388
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	2,954,128	-	2,954,128
Supporting services:			
General and administrative	1,028,000	-	1,028,000
Total Expenses	3,982,128	-	3,982,128
CHANGE IN NET ASSETS	786,117	(35,857)	750,260
NET ASSETS, beginning of year	657,532	118,248	775,780
NET ASSETS, end of year	$ 1,443,649	$ 82,391	$ 1,526,040

See accompanying notes to the financial statements.

PARAMOUNT SCHOOL OF EXCELLENCE, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
School lunch program	$ 3,268	$ -	$ 3,268
Contributions and donations	12,142	-	12,142
Grant revenue	3,470,349	31,276	3,501,625
Overpayments and reimbursements	1,516	-	1,516
Interest income	5,726	-	5,726
Other revenue	2,606	-	2,606
Net assets released from restrictions by satisfaction of temporary restrictions	327,926	(327,926)	-
Total Revenues and Support	3,823,533	(296,650)	3,526,883
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	2,287,160	-	2,287,160
Supporting services:			
General and administrative	771,598	-	771,598
Total Expenses	3,058,758	-	3,058,758
CHANGE IN NET ASSETS	764,775	(296,650)	468,125
NET ASSETS, beginning of year	(107,243)	414,898	307,655
NET ASSETS, end of year	$ 657,532	$ 118,248	$ 775,780

See accompanying notes to the financial statements.

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 750,260	$ 468,125
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	531,172	158,583
(Increase) decrease in:		
Grants receivable	(531,019)	(1,199,167)
Prepaid expense	50,416	(69,427)
Lease deposit	-	(25,000)
Increase (decrease) in:		
Accounts payable	194,767	33,186
Accrued interest	29,145	
Accrued payroll	13,153	23,204
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,037,894	(610,496)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,540,084)	(959,268)
NET CASH USED BY INVESTING ACTIVITIES	(1,540,084)	(959,268)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt borrowings	1,575,403	1,713,890
Long-term debt repayments	(271,873)	(101,449)
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,303,530	1,612,441
NET INCREASE IN CASH	801,340	42,677
CASH AND CASH EQUIVALENTS - beginning of year	339,122	296,445
CASH AND CASH EQUIVALENTS - end of year	$ 1,140,462	$ 339,122

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Paramount School of Excellence, Inc. (the "School") was incorporated on July 15, 2009, under the laws of the State of Indiana and commenced operations in September 2010. The School offers a world-class education to each child built on a foundation of knowledge and wisdom, each child will maximize their potential against measurable standards, developing the skills necessary to become successful and productive citizens in a global society. Developing compassion and understanding, students will learn to respect their environment, themselves and one another. Paramount School of Excellence will serve a high needs' population in Grades K-8 using an integrated, humanities and research based curricula, and will develop a network of existing programs, services and resources to broaden the reach of choices to all schools, students and families. The School's primary source of revenue and support are grants from the Indiana Department of Education.

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 and 2011, the School had $82,391 and $118,248 of temporarily restricted net assets, respectively.
>
> ***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 and 2011, 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 and 2011, 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 statements of activities.

Depreciation expense was $531,172 and $158,583 for the years ended June 30, 2012 and 2011, respectively.

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 and 2011.

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 no in-kind contributions during June 30, 2012 and 2011, respectively.

Volunteers provide program and fund-raising 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 years ended June 30, 2012 and 2011 was $2,257 and $6,444, respectively.

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 was $890,462 and $89,122 in excess of FDIC insured limits at June 30, 2012 and 2011, respectively.

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 1 and 1 of the School's support and revenue in June 30, 2012 and 2011, respectively. A state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the school during the year.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Education - The School offers elementary and middle school education, special education, and instructional staff training programs. The School's curriculum includes Core Knowledge™, a collaborative and seamless education program, has been aligned to meet the Indiana State Academic Standards for students in Grades K-8. The School partnered with a National Core Knowledge consultant to develop thematic, project-based approach that integrated content across all subject areas and maximized the use of technology. Core Knowledge™ is designed to be the basis of the School's curriculum, providing a solid, shared, specific, and sequenced foundation for learning. Core Knowledge content serves as a resource for teachers and a foundation from which to develop future units that align with the Core Knowledge™ Sequence. The School also uses Imagine It Reading and Everyday Math, along with additional extensions to provide a comprehensive platform of instructional approaches that are implemented/augmented through the use of technology. Intervention and enrichment of reading and math content occur through the use of Accelerated Reader and Accelerated Math (along with Star Reading and Star Math). These resources use a cohesive combination of progress monitoring and technology to provide a platform of balanced intervention.

NOTE 3 - OPERATING LEASES

During 2012, the School entered into a 4 year lease with CSDC Paramount, LLC for educational facilities located at 3020 E. Nowland Avenue, Indianapolis, Indiana. The lease, which expires in June 30 2015, requires monthly payments ranging from $27,856 to $29,561. During the years ended June 30, 2012 and 2011, $345,027 and $441,856 was expensed for educational facility rent, respectively.

The School also leases three copiers from Braden Business Systems, Inc. One lease expired in April of 2012 and the other copiers' lease will expire in July of 2013. The School also leases furniture from Kingsbridge, which expires October 2013. During the year ended June 30, 2012 and 2011, $17,651 and $15,217 was expensed, respectively.

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

Year	Amount
2013	$ 451,683
2014	382,759
2015 and thereafter	354,731
	$ 1,189,173

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 and 2011:

	2012	2011
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 1, 2031 (a)	$ 806,354	$ 806,354
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 1, 2033 (a)	563,356	563,356
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity in July 1, 2033 (a)	275,403	-
Loan Payable in semi - annual installments, including interest computed at 5%, Through maturity in June 21, 2016	1,163,252	-
Loan Payable in monthly installments, including interest computed at 8.25%, Through matruity in April 25, 2012.	-	49,045
Less: current maturities	(143,111)	(49,045)
Total Long-term Debt	$ 2,665,254	$ 1,369,710

(a) The State of Indiana advanced funds from the Common School Fund to assist the Academy during its initial years of operations. Under the terms of the agreements with the State of Indiana, the Academy agreed to repay these loans through deductions from the Academy'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	232,689	112,588	345,277
June 30,2015	240,385	101,616	342,001
June 30,2016	793,834	90,236	884,070
June 30,2017	82,256	55,111	137,367
June 30,2018- and there after	1,316,090	434,310	1,750,400
	$ 2,665,254	$ 793,861	$ 3,459,115

Total interest paid during the years ended June 30, 2012 and 2011 was $94,444 and $17,125, respectively.

NOTE 6 - CAPITAL LEASE COMMITMENT

The School leases equipment in the ordinary course of business. The School is obligated under a capital lease commitment which expires October 2013, and requires minimum monthly payments of $8,585.

The assets and liabilities under capital leases are recorded at the fair value of the assets. The assets are depreciated over their estimated useful lives of five years.

As leases expire, the School would normally expect to purchase the equipment.

At June 30, 2012 the required minimum capital lease payments are as follows for the years ended:

Year	Amount
2013	$ 92,808
2014 and thereafter	33,495
	$ 126,303

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 and 2011 are available for the following purposes:

	2012	2011
Title II	$ -	$ 5,000
Lego Grant	41	492
Title I	-	20,982
Challenge Foundation Grant	73,539	48,911
Federal Planning Grant	4,802	4,802
Walton Grant	-	38,061
Green Team	340	-
Play 60	2,562	-
Athletics	1,107	-
	$ 82,391	$ 118,248

During June 30, 2012 and 2011, 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.

	2012	2011
Challenge Foundation Grant	$ -	$ 10,089
Federal Planning Grant	-	119,771
Walton Grant	38,061	198,066
Title II	5,000	-
Lego Grant	451	-
Titel I	20,982	-
	$ 64,494	$ 327,926

NOTE 8 - SUBSEQUENT EVENT

In preparing these financial statements, the School has evaluated subsequent events and transactions for potential recognition or disclosure through February 23, 2013, the date the financial statements were available to be issued.

PARAMOUNT 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	Fundraing	Total Expenses
Salaries and benefits	$ 354,373	$ 1,156,771	$ 1,511,144	$ 374,459	$ -	$ 1,885,603
Professional services	79,524	63,103	142,627	24,077	-	166,704
Information technology	-	-	-	85,257	-	85,257
Accounting services	-	-	-	74,819	-	74,819
Legal Services	-	-	-	17,258	-	17,258
Cleaning Services	-	47,894	47,894	11,974	-	59,868
Security Services	-	5,507	5,507	1,377	-	6,884
Utilities & Services	-	91,314	91,314	22,829	-	114,143
Course materials/supplies	48,737	(33,224)	15,513	72,275	-	87,788
Nutritional support	-	323,142	323,142	-	-	323,142
Travel and entertainment	-	-	-	6,440	-	6,440
Vehicle/transportation expense	-	3,036	3,036	60	-	3,096
Rent and facilities	-	290,142	290,142	72,536	-	362,678
Depreciation and amortization	-	424,938	424,938	106,234	-	531,172
Interest expense	-	98,871	98,871	24,718	-	123,589
Insurance	-	-	-	23,726	-	23,726
Advertising expenses	-	-	-	2,257	-	2,257
Small equipment purchases	-	-	-	37,270	-	37,270
Miscellaneous	-	-	-	70,434	-	70,434
Total direct program expenses	$ 482,634	$ 2,471,494	$ 2,954,128	$ 1,028,000	$ -	$ 3,982,128

See accompanying notes to the financial statements.

PARAMOUNT SCHOOL OF EXCELLENCE, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	Program Service Expenses			Supporting Services		
	Grants	Academics	Total Program Services	Management and General	Fundrasing	Total Expenses
Salaries and benefits	$ 91,164	$ 1,000,534	$ 1,091,698	$ 317,639	$ -	$ 1,409,337
Professional services	304,956	38,736	343,692	80,892	-	424,584
Information technology	-	-	-	35,081	-	35,081
Accounting services	-	-	-	62,160	-	62,160
Legal Services	-	-	-	15,300	-	15,300
Cleaning Services	-	42,988	42,988	10,747	-	53,735
Security Services	-	2,828	2,828	707	-	3,535
Utilities & Services	-	55,220	55,220	13,805	-	69,025
Course materials/supplies	808	48,093	48,901	52,403	-	101,304
Nutritional support	-	184,861	184,861	-	-	184,861
Travel and entertainment	-	-	-	8,279	-	8,279
Rent and facilities	-	365,658	365,658	91,415	-	457,073
Building Improvements	-	10,748	10,748	2,687	-	13,435
Depreciation and amortization	-	126,866	126,866	31,717	-	158,583
Interest expense	-	13,700	13,700	3,425	-	17,125
Insurance	-	-	-	19,966	-	19,966
Advertising expenses	-	-	-	6,444	-	6,444
Small equipment purchases	-	-	-	1,964	-	1,964
Miscellaneous	-	-	-	16,967	-	16,967
Total direct program expenses	$ 396,928	$ 1,890,232	$ 2,287,160	$ 771,598	$ -	$ 3,058,758

See accompanying notes to the financial statements.

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 Paramount School of Excellence, Inc.
Indianapolis, Indiana:

We have audited the financial statements of Paramount School of Excellence, Inc. as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated February 23, 2013. 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.

Internal Control over Financial Reporting

Management of Paramount School of Excellence, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Paramount 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 Paramount 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 Paramount 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
February 23, 2013

PARAMOUNT 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	2012 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	$ 192,943
School Breakfast Program	10.553	FY 2011-2012	65,544
Total for Child Nutrition Cluster			258,487
Total for U.S. Department of Agriculture			258,487
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 2011-2012	492,667
Total for Title I, Part A Cluster			492,667
Special Education Cluster (IDEA)			
Special Education Grants to States	84.027	FY 2011-2012	103,003
Education Technology State Grants Cluster			
ARRA - Education Technology State Grants*	84.386	FY 2011-2012	1,644
Charter Schools	84.282	FY 2010-2011	285,000
		FY 2011-2012	401,853
Total for program			686,853
Improving Teacher Quality State Grants	84.367	FY 2010-2011	14,079
Total U.S. Department of Education			1,298,246
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,556,733

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

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

PARAMOUNT SCHOOL OF EXCELLENCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2011 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 2010-2011	$ 181,969
Total for Child Nutrition Cluster			181,969
Total for U.S. Department of Agriculture			181,969
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	FY 2010-2011	345,056
Total for Title I, Part A Cluster			345,056
Special Education Cluster (IDEA)			
Special Education Grants to States	84.027	FY 2010-2011	298,686
Education Technology State Grants Cluster			
ARRA - Education Technology State Grants*	84.386	FY 2010-2011	1,507
Charter Schools	84.282	FY 2010-2011	235,091
Improving Teacher Quality State Grants	84.367	FY 2010-2011	23,000
Total U.S. Department of Education			903,340
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,085,309

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

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

PARAMOUNT SCHOOL OF EXCELLENCE, INC.

NOTE TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards include the federal grant activity of Paramount 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 Paramount School of Excellence, Inc.
Indianapolis, Indiana:

Compliance

We have audited Paramount 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 Paramount School of Excellence, Inc.'s major federal programs for the years ended June 30, 2012 and 2011. Paramount 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 Paramount School of Excellence, Inc.'s management. Our responsibility is to express an opinion on Paramount School of Excellence, Inc.'s compliance based on our audits.

We conducted our audits 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 Paramount 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 audits do not provide a legal determination on Paramount School of Excellence, Inc.'s compliance with those requirements.

In our opinion, Paramount 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 and 2011.

Internal Control Over Compliance

The management of Paramount 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 Paramount 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 Paramount 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 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 Paramount 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
February 23, 2013

PARAMOUNT SCHOOL OF EXCELLENCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED JUNE 30, 2012 AND 2011

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:

	Child Nutrition Cluster
84.010	**Title I Grants to Local Educational Agencies,**
84.282	**Charter Schools**
84.027	**Special Education Grants to States**

- 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*

PARAMOUNT SCHOOL OF EXCELLENCE, INC.
OTHER REPORT
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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

Supplemental Audit Report of Paramount School of Excellence, Inc.