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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

May 3, 2013

Charter School Board
Andrew Academy
4050 East 38th Street
Indianapolis, IN 46218

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 Andrew Academy, 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 Andrew Academy 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

Andrew Academy

**Financial Statements
With Supplemental Information
June 30, 2012 and 2011**



ANDREW
ACADEMY

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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
Andrew Academy
Indianapolis, Indiana:

We have audited the accompanying statements of financial position of Andrew Academy (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 Andrew Academy'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 Andrew Academy 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 March 8, 2013, on our consideration of Andrew Academy'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. 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.

A handwritten signature in black ink that reads "Sikich, LLP". The script is cursive and fluid, with the letters "S", "i", "k", "i", "c", "h" being prominent and connected. The "LLP" is written in a slightly more formal, but still handwritten, style.

Sikich LLP

Indianapolis, Indiana
March 8, 2013

ANDREW ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT ASSETS:		
Cash	\$ 1,314,536	\$ 3,566,426
Accounts receivable	10,000	26,910
Grants receivable	692,920	689,806
Prepaid expenses	<u>315</u>	<u>2,846</u>
Total Current Assets	<u>2,017,771</u>	<u>4,285,988</u>
PROPERTY AND EQUIPMENT:		
Furniture and equipment	29,793	24,533
Computer hardware	33,416	-
Computer software	3,320	3,320
Leasehold improvements	2,991,936	685,692
Books and educational materials	47,725	20,746
Less: accumulated depreciation	<u>(71,876)</u>	<u>(14,800)</u>
Total Property and Equipment, net	<u>3,034,314</u>	<u>719,491</u>
OTHER ASSETS:		
Bond fees, net of amortization of \$4,667 and \$389	<u>64,945</u>	<u>69,612</u>
	<u>\$ 5,117,030</u>	<u>\$ 5,075,091</u>

See accompanying notes to financial statements.

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

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 220,282	\$ 5,339
Due to Mother Theodore Catholic Academies and the Archdiocese	488,634	1,123,445
Current portion of bonds payable	69,231	-
Accrued payroll	<u>12,229</u>	<u>13,572</u>
Total Current Liabilities	<u>790,376</u>	<u>1,142,356</u>
LONG TERM LIABILITIES:		
Accrued interest - Common School Loans	12,567	-
Bond payable, net of current portion	3,530,769	3,600,000
Common School Loan, net of current portion	714,294	628,358
Loan payable to Archdiocese	<u>725,000</u>	<u>-</u>
Total Long Term Liabilities	<u>4,982,630</u>	<u>4,228,358</u>
NET ASSETS:		
Unrestricted	(698,959)	(407,500)
Temporarily restricted	<u>42,983</u>	<u>111,877</u>
Total Net Assets	<u>(655,976)</u>	<u>(295,623)</u>
	<u>\$ 5,117,030</u>	<u>\$ 5,075,091</u>

See accompanying notes to financial statements.

ANDREW ACADEMY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
School lunch program	\$ 2,025	\$ -	\$ 2,025
Contributions and donations	1,939	-	1,939
Grant revenue	1,509,488	-	1,509,488
Other revenue	20,119	-	20,119
Net assets released from restrictions by satisfaction of temporary restrictions	<u>68,894</u>	<u>(68,894)</u>	<u>-</u>
Total Revenues and Support	<u>1,602,465</u>	<u>(68,894)</u>	<u>1,533,571</u>
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	987,420	-	987,420
Supporting services:			
General and administrative	894,696	-	894,696
Fundraising	<u>11,808</u>	<u>-</u>	<u>11,808</u>
Total Expenses	<u>1,893,924</u>	<u>-</u>	<u>1,893,924</u>
CHANGE IN NET ASSETS	(291,459)	(68,894)	(360,353)
NET ASSETS, beginning of year	<u>(407,500)</u>	<u>111,877</u>	<u>(295,623)</u>
NET ASSETS, end of year	<u><u>\$ (698,959)</u></u>	<u><u>\$ 42,983</u></u>	<u><u>\$ (655,976)</u></u>

See accompanying notes to the financial statements.

ANDREW ACADEMY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:			
School lunch program	\$ 3,864	\$ -	\$ 3,864
Student fees	1,720	-	1,720
Contributions and donations	250,400	-	250,400
Grant revenue	1,110,759	111,877	1,222,636
Other revenue	<u>45,983</u>	<u>-</u>	<u>45,983</u>
 Total Revenues and Support	 <u>1,412,726</u>	 <u>111,877</u>	 <u>1,524,603</u>
 PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	916,481	-	916,481
Supporting services:			
General and administrative	892,785	-	892,785
Fundraising	<u>10,960</u>	<u>-</u>	<u>10,960</u>
 Total Expenses	 <u>1,820,226</u>	 <u>-</u>	 <u>1,820,226</u>
 CHANGE IN NET ASSETS	 (407,500)	 111,877	 (295,623)
 NET ASSETS, beginning of year	 <u>-</u>	 <u>-</u>	 <u>-</u>
 NET ASSETS, end of year	 <u>\$ (407,500)</u>	 <u>\$ 111,877</u>	 <u>\$ (295,623)</u>

See accompanying notes to the financial statements.

ANDREW ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (360,353)	\$ (295,623)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	57,076	14,800
(Increase) decrease in:		
Accounts receivable	16,910	(26,910)
Grants receivable	(3,114)	(689,806)
Prepaid expense	2,531	(2,846)
Bond fees	4,667	(69,612)
Increase (decrease) in:		
Accounts payable	214,943	5,339
Due to Mother Theodore Catholic Academies	(634,811)	1,123,445
Accrued interest	12,567	-
Accrued payroll	<u>(1,343)</u>	<u>13,572</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(690,927)</u>	<u>72,359</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(2,371,899)</u>	<u>(734,291)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(2,371,899)</u>	<u>(734,291)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt borrowings	<u>810,936</u>	<u>4,228,358</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>810,936</u>	<u>4,228,358</u>
NET (DECREASE) INCREASE IN CASH	(2,251,890)	3,566,426
CASH AND CASH EQUIVALENTS - beginning of year	<u>3,566,426</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 1,314,536</u>	<u>\$ 3,566,426</u>

See accompanying notes to the financial statements.

ANDREW ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - ADI Schools, Inc. was incorporated June 24, 2009, for the purpose of operating two separately chartered schools Andrew Academy (the "Academy") and Padua Academy, which both opened to students in August of 2010. The Indiana State Board of Accounts considers each charter school its own local education agency, and as such treats them as unique entities. Andrew Academy seeks to serve urban Indianapolis by educating students to become self-sufficient and productive leaders who are ready to succeed in a diverse global society. The school has a clear and consistent focus on academic rigor, grounded in strong character development and citizenship.

Basis of Accounting - The financial statements of the Academy 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 Academy 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.

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 Academy's activities.

Temporarily restricted net assets - Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes or a set amount of time. As of June 30, 2012 and 2011, the Academy had \$42,983 and \$111,877 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 Academy. Generally, the donors of these assets permit the Academy 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 Academy had no permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Academy 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 Academy.

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 Academy 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 \$57,076 and \$14,800 for the years ended June 30, 2012 and 2011, respectively.

Bond Fees - The Academy amortizes the loan fees on the straight-line method over the life of the bonds which is fifteen years. Amortization expense amounted to \$4,667 and \$389 for the years ended June 30, 2012 and 2011, respectively. Amortization expense is estimated to be approximately \$4,667 for each of the next fourteen years.

Impairment of Long-lived Assets - The Academy 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 years 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 Academy. 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 Academy received no in-kind contributions during the years ended June 30, 2012 and 2011, respectively.

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 Academy 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 Academy 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 Academy.

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 Academy expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2012 and 2011 was \$1,088 and \$16,663, respectively.

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

The Academy 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 Academy is subject to examination by taxing authorities. The Academy's tax returns for years subsequent to fiscal year 2010 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 Academy currently files or has filed.

Concentration of Credit Risk - Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of temporary cash investments and grants receivable.

The Academy places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. There was \$814,536 and \$3,268,019 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 Academy'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 72.3% and 75.5% of the Academy's support and revenue in the years ended 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 - Andrew Academy is committed to providing a school environment where educators, students, and parents are dedicated to creating a secure, constructive learning environment for all students. Curriculum supports the national Core Curriculum standards in Mathematics and Language Arts and incorporates a variety of instruction, individual and group projects, and experiential learning. Curriculum also includes Social Studies, Visual Arts, Music, and Physical Education. Character development, self-esteem, and community pride are emphasized across all courses of study as part of a "whole student" philosophy.

NOTE 3 - OPERATING LEASES

The Academy entered into a seven year lease with Roman Catholic Archdiocese of Indianapolis Properties, Inc. for educational facilities located at 4050 E. 38th Street, Indianapolis, Indiana. The lease, which expires on June 30, 2017, requires monthly payments ranging from \$6,250 to \$8,750. During the years ended June 30, 2012 and 2011, \$75,000 and \$105,000 was expensed for office rent, respectively.

The Academy also leases three copiers from Sharp Business Systems and one copier from Konica Minolta. One lease will expire in July 2015 and the other copiers' lease will expire in August 2015. During the year ended June 30, 2012 and 2011, \$21,807 and \$6,412 was expensed, respectively.

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

<u>Year</u>	<u>Amount</u>
2013	\$ 91,892
2014	96,892
2015	101,892
2016	96,332
2017 and thereafter	<u>100,000</u>
	<u>\$ 487,008</u>

NOTE 4 - PENSION PLAN

403(b) Plan

The Academy's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants may contribute to the Plan. The Academy also has a grandfathered pension plan for faculty and certain administrative employees that were hired prior to January 1, 2012. Only participants that were hired before January 1, 2012 may contribute to this plan. The employer made a 50% matching contribution up to 8% and 4% for the years ended June 30, 2012, and 2011, respectively.

Pension expense was \$53,670 and \$19,649 for the years ended June 30, 2012 and 2011, respectively.

NOTE 5 - LONG-TERM DEBT ACTIVITY

Long-term debt included the following at June 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on July 1, 2033 (a)	\$ 628,358	\$ 628,358
Loan Payable in semi - annual installments, including interest computed at 4%, Through maturity on January 1, 2018 (a)	85,936	-
Bond Payable in quarterly installments, including interest computed at 5%, Through maturity on January 1, 2026 (b)	3,600,000	3,600,000
Loan Payable in semi - annual installments, matures on July 1, 2031	725,000	-
Less: current maturities	<u>(69,231)</u>	<u>-</u>
Total Long-term Debt	<u>\$ 4,970,063</u>	<u>\$ 4,228,358</u>

(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.

(b) Qualified School Construction Bonds (QSCBs). Under the American Recovery and Reinvestment Act of 2009, the Federal Treasury created QSCBs tax credit bonds, which provide federal subsidy equal to 4.5% interest. Payments of principle will commence on June 15, 2013.

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

<u>Year Ending</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
June 30, 2014	\$ 325,528	\$ 198,804	\$ 524,332
June 30, 2015	325,528	182,385	507,913
June 30, 2016	325,528	166,594	492,122
June 30, 2017	325,528	150,804	476,332
June 30, 2018 - and thereafter	<u>3,667,951</u>	<u>701,050</u>	<u>4,369,001</u>
	<u>\$ 4,970,063</u>	<u>\$ 1,399,637</u>	<u>\$ 6,369,700</u>

Total interest paid during the years ended June 30, 2012 and 2011 was \$9,568 and \$0, respectively.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Academy has entered into two agreements for the construction and renovation of their leased educational facility. Current estimated costs for these constructions and renovations are \$2,941,425.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Walton Grant	\$ <u>42,983</u>	\$ <u>111,877</u>

During the years ended 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.

	<u>2012</u>	<u>2011</u>
Walton Grant	\$ <u>68,894</u>	\$ <u>-</u>

NOTE 8 - RELATED PARTIES

The Academy has two affiliated organizations, ADI Charter Schools and Mother Theodore Catholic Academies.

ADI Charter Schools (ADI) is a separate legal entity that is contracted to assist the operations of the school. ADI Charter Schools provides school-specific administrative services and general management and oversight of the Academy. ADI charges the Academy for its expenses related to the services provided. No markup is added to the fees charged to the schools. Total Administrative Services paid during the years ended June 30, 2012 and 2011 was \$59,454 and \$49,641, respectively.

Mother Theodore Catholic Academies (MTCA) is an affiliated company of the Academy. MTCA is a separately incorporated, not-for-profit that is not controlled by the Academy. MTCA provides the Academy with advances as needed. During the year, the Academy received advances of \$725,000. As of June 30, 2012 the Academy has not repaid this advance.

In addition, the Academy processes its payroll, benefits and other costs through MTCA. If the Academy is unable to make a payment for payroll or other costs it accrues in the accounts payable to MTCA. As of June 30, 2012 and 2011, MTCA allowed the Academy to accrue \$488,634 and \$1,123,445 of payroll, benefits and other costs.

NOTE 9 - SUBSEQUENT EVENT

In preparing these financial statements, the Academy has evaluated subsequent events and transactions for potential recognition or disclosure through March 8, 2013, the date the financial statements were available to be issued.

ANDREW ACADEMY
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	<u>Program Service Expenses</u>			<u>Supporting Services</u>		
	<u>Grants</u>	<u>Academics</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 156,821	\$ 643,218	\$ 800,039	\$ 306,762	\$ -	\$ 1,106,801
Professional services	-	1,541	1,541	201,793	11,808	215,142
Information technology	-	-	-	7,053	-	7,053
Accounting and payroll services	-	-	-	28,857	-	28,857
Legal services	-	-	-	10,066	-	10,066
Cleaning services	-	26,023	26,023	6,506	-	32,529
Security services	-	2,290	2,290	572	-	2,862
Utilities and services	-	34,990	34,990	8,748	-	43,738
Materials, supplies, fees, and postage	4,826	15,774	20,600	23,479	-	44,079
Nutritional support	-	-	-	154,144	-	154,144
Sales, marketing and community relations	-	-	-	12,224	-	12,224
Travel and entertainment	-	-	-	5,088	-	5,088
Vehicle and transportation expense	-	-	-	1,886	-	1,886
Rent - building and equipment	-	-	-	96,807	-	96,807
Depreciation and amortization	-	45,661	45,661	11,415	-	57,076
Interest expense	-	10,054	10,054	2,513	-	12,567
Insurance	-	46,222	46,222	11,556	-	57,778
Small equipment purchases	-	-	-	250	-	250
Miscellaneous	-	-	-	4,977	-	4,977
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total direct program expenses	<u>\$ 161,647</u>	<u>\$ 825,773</u>	<u>\$ 987,420</u>	<u>\$ 894,696</u>	<u>\$ 11,808</u>	<u>\$ 1,893,924</u>

See accompanying notes to the financial statements.

ANDREW ACADEMY
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2011

	<u>Program Service Expenses</u>			<u>Supporting Services</u>		
	<u>Grants</u>	<u>Academics</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 10,394	\$ 659,262	\$ 669,656	\$ 370,594	\$ -	\$ 1,040,250
Professional services	-	1,807	1,807	198,742	10,960	211,509
Accounting and payroll services	-	-	-	19,022	-	19,022
Legal services	-	-	-	22,546	-	22,546
Cleaning services	-	42,912	42,912	10,728	-	53,640
Security services	-	8,703	8,703	2,176	-	10,879
Utilities and services	-	42,116	42,116	10,529	-	52,645
Materials, supplies, fees, and postage	4,319	14,056	18,375	38,513	-	56,888
Nutritional support	-	-	-	121,119	-	121,119
Sales, marketing and community relations	-	-	-	29,630	-	29,630
Travel and entertainment	-	-	-	7,017	-	7,017
Rent - building and equipment	-	89,130	89,130	22,282	-	111,412
Depreciation and amortization	-	11,840	11,840	2,960	-	14,800
Insurance	-	31,942	31,942	7,986	-	39,928
Small equipment purchases	-	-	-	2,663	-	2,663
Miscellaneous	-	-	-	26,278	-	26,278
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total direct program expenses	<u>\$ 14,713</u>	<u>\$ 901,768</u>	<u>\$ 916,481</u>	<u>\$ 892,785</u>	<u>\$ 10,960</u>	<u>\$ 1,820,226</u>

See accompanying notes to the financial statements.



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

317.842.4466 // www.sikich.com

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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 Andrew Academy
Indianapolis, Indiana:

We have audited the financial statements of Andrew Academy as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated March 8, 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 Andrew Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Andrew Academy'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 Academy'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 Andrew Academy'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 Andrew Academy's Board of Directors, management, others within the Academy, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Sikich, LLP". The signature is written in a cursive, flowing style.

Sikich LLP

Indianapolis, Indiana
March 8, 2013

ANDREW ACADEMY
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 Academy as listed below:

Supplemental Audit Report of Andrew Academy