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September 19, 2013

Charter School Board  
21<sup>st</sup> Century Charter School, Inc.  
d/b/a Fall Creek Academy  
2540 N. Capital Avenue  
Indianapolis, IN 46208

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, 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 21<sup>st</sup> Century Charter School, Inc. d/b/a Fall Creek Academy as of June 30, 2012, 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 21<sup>st</sup> Century Charter School, Inc. d/b/a Fall Creek 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*

**21<sup>st</sup> CENTURY CHARTER SCHOOL, INC.**  
**d/b/a FALL CREEK ACADEMY**

*Financial Statements and Federal Single Audit Report*

*June 30, 2012*

**Fitzgerald | Isaac** LLC  
Certified Public Accountants

21st CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
21st Century Charter School, Inc.

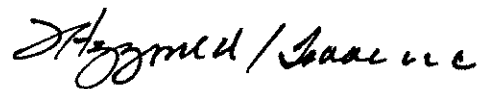
We have audited the accompanying statement of financial position of **21st Century Charter School, Inc. d/b/a Fall Creek Academy** as of June 30, 2012 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the management of **21st Century Charter School, Inc.** 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. 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 21st Century Charter 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 July 11, 2013 on our consideration of 21st Century Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Indianapolis, IN  
July 11, 2013

21st CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Statement of Financial Position

Assets	June 30, 2012
Current assets:	
Cash	\$ 3,538
Accounts receivable:	
State education support	1,255,799
Grants	73,020
Other	17,936
Prepaid expense	5,600
Total current assets	1,355,893
Property and equipment:	
Leasehold improvements	236,118
Computers and peripherals	1,023,309
Furniture and equipment	405,200
	1,664,627
Less: accumulated depreciation	(1,218,734)
Property and equipment, net	445,893
	\$ 1,801,786
Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	\$ 200,265
Due to GEO Foundation	1,478,063
Notes payable	35,000
Current portion of long-term debt	1,736
Refundable advances	23,564
Total current liabilities	1,738,628
Accrued interest on Common School Fund loans	55,071
Long-term debt	396,627
Total liabilities	2,190,326
Unrestricted net assets (deficiency)	(388,540)
	\$ 1,801,786

See accompanying notes to financial statements.

21st CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Statement of Activities

	Year Ended June 30, 2012
<u>Revenue, Gains and Support</u>	
State education support	\$ 2,511,597
Grant revenue	1,209,831
Student and adult fees	9,665
Other income	47,879
	<u>3,778,972</u>
<u>Expenses</u>	
Program services:	
Educational instruction	2,839,351
Education support	531,676
Administrative	614,091
Total expenses	<u>3,985,118</u>
Decrease in net assets	(206,146)
Net assets (deficiency), beginning of year	<u>(182,394)</u>
Net assets (deficiency), end of year	<u>\$ (388,540)</u>

See accompanying notes to financial statements.

21st CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Statement of Cash Flows

	Year Ended June 30, 2012
<u>Operating Activities</u>	
Change in net assets	\$ (206,148)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	168,377
Change in:	
Accounts receivable	158,417
Prepaid expense	9,232
Accounts payable and accrued expenses	2,037
Refundable advances	(1,709)
Net cash provided by operating activities	<u>130,206</u>
<u>Investing Activities</u>	
Purchases of property and equipment	(114,532)
Net cash used by investing activities	<u>(114,532)</u>
<u>Financing Activities</u>	
Net repayments of short-term notes payable	(80,440)
Principal repayments of long-term debt obligation	(1,446)
Net cash used by financing activities	<u>(81,886)</u>
Net decrease in cash	(66,212)
Cash, beginning of year	<u>69,750</u>
Cash, end of year	<u>\$ 3,538</u>
Supplemental disclosures:	
Cash paid for interest expense	\$ -
Non-cash investing and financing activities:	
Assets required in exchange for debt obligation	\$ 5,208

See accompanying notes to financial statements.

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

General

21st Century Charter School, Inc. d/b/a Fall Creek Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School has entered into a service agreement with The Greater Educational Opportunities Foundation, Inc. ("GEO"), a not-for profit organization incorporated in the State of California, to provide curriculum, managerial, legal, and financial services.

Accounting Estimates

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

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in January through December following the start of the school year. Revenue is recognized in the year in which the educational services are rendered.

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

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal grants and legislation enacted by the State of Indiana. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Taxes on Income

21st Century Charter School, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

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

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

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

Leasehold improvements.....	4 to 13 years
Computers and peripherals.....	3 to 5 years
Furniture and equipment .....	5 to 7 years

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through July 11, 2013, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required. See Note 6 for disclosure of subsequent events.

(2) Accounts Receivable

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

Tuition support .....	\$1,177,649
Special education grant .....	75,680
Prime time grant .....	1,570
Honors grant .....	<u>900</u>
Total.....	<u>\$1,255,799</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students. The payment schedule is likewise determined by state law with tuition support payable in equal monthly installments in the calendar year following the start of the school year. Upon revocation or termination of the charter, the payment streams will cease and any unpaid amounts will be applied to the unpaid balance of notes from the Indiana Common School Fund (see Note 4).

(3) Notes Payable

The School has an agreement with its management company, The Greater Educational Opportunity Foundation, Inc., that provides for short-term loans if at the close of the month the debts owed by the School exceed the monthly funds deposited into the School's account. These unsecured, non-interest bearing loans are due within 60 days of issue. As of June 30, 2012, the balance outstanding was \$35,000.

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

Notes to Financial Statements

(4) Long-Term Debt

Long-term debt at June 30, 2012 was comprised of:

Notes payable to Indiana Common School Fund.....	\$394,601
Note payable to Aramark Educational Services, LLC .....	<u>3,762</u>
	398,363
Less current maturities .....	<u>(1,736)</u>
	<u>\$396,627</u>

The notes payable to the Indiana Common School Fund are comprised of multiple notes, each of which requires semi-annual payments of principal and interest over a period of 20 years with interest at 4% per annum. In 2011, the Indiana Common School Fund granted a moratorium on loan payments. Payments are scheduled to commence again on July 1, 2013. The last note matures July 1, 2030. These notes are secured by unpaid tuition support distributions (see Note 2).

The School entered into an installment sales agreement with Aramark Educational Services, LLC relating to the purchase of kitchen equipment. The agreement is non-interest bearing and provides for monthly installments of \$145 through August 2015.

Principal maturities under the loan agreements are as follows:

<u>Year Ending June 30:</u>	
2013 .....	\$ 1,736
2014 .....	25,362
2015 .....	23,915
2016 .....	23,626
2017 .....	23,626
Thereafter .....	<u>300,098</u>
	<u>\$398,363</u>

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d/b/a  
FALL CREEK ACADEMY

Notes to Financial Statements

(5) Leases

The School leases its school buildings as well as certain items of office equipment under operating leases for terms from one to seven years. Expense under operating leases for the year ended June 30, 2012 was \$158,452. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows:

<u>Year Ending June 30:</u>	
2013 .....	\$102,000
2014 .....	102,000

(6) Subsequent Events

As indicated in Note 9, the School terminated its management contract with Greater Educational Opportunities Foundation, Inc. ("GEO") effective June 30, 2012. As of June 30, 2012, the School owed GEO \$1,478,063 for building rental and services rendered under this agreement. On July 26, 2012, GEO provided notice that it had forgiven this liability by action of its Board of Directors in exchange for the School's commitment to purchase the school facility. The School arranged for the purchase of the facility by Ivy Tech Foundation, Inc., with whom the School executed a two year lease agreement. The effect of this debt forgiveness has not been reflected in the accompanying financial statements.

In July 2012, the School entered into an installment sales agreement to purchase a modular building unit containing two classrooms at a total cost of \$79,900. Monthly installments of \$4,700 are due and payable on or before the first day of each calendar month commencing August 1, 2012.

(7) Refundable Advances

The School has been awarded grants from the Indiana Department of Education to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2012, the School had refundable grant advances in excess of expenditures of \$23,564.

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d/b/a  
FALL CREEK ACADEMY

Notes to Financial Statements

(8) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 6.5% of compensation for other employees to PERF. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$114,357 for the year ended June 30, 2012.

(9) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was \$70,659 for the year ended June 30, 2012. The charter remains in effect until June 30, 2015, and is renewable thereafter by mutual consent.

The School contracted with the Greater Educational Opportunities Foundation, Inc. ("GEO"), a not-for-profit organization incorporated in the State of California, to provide management, operational, and administrative services to the School. Under terms of the agreement, the School agreed to pay an annually negotiated fee. Management fees for the year ended June 30, 2012 were \$356,297. The contract with GEO was terminated as of June 30, 2012.

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Notes to Financial Statements

(10) Risks and Uncertainties

The School provides educational instruction services to families residing in Marion and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2012, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits maintained at Regions Bank occasionally exceed the FDIC insurance limit.

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d/b/a  
FALL CREEK ACADEMY

Notes to Financial Statements

(11) Functional Expense Reporting

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

	<u>Educational Instruction</u>	<u>Education Support</u>	<u>Admini- strative</u>
Salaries and wages.....	\$1,486,485	-	40,030
Employee benefits .....	430,255	-	10,178
Staff development and recruitment .....	1,075	-	-
Professional services .....	179,907	6,677	41,398
Authorizer oversight fee .....	-	-	70,659
Academic services .....	-	-	356,297
Transportation .....	-	120,255	-
Food costs .....	-	166,533	-
Equipment rental .....	-	33,757	-
Repairs and maintenance .....	-	46,229	-
Technology .....	-	63,372	-
Classroom, kitchen and office supplies.....	146,038	9,630	43,130
Occupancy .....	416,906	66,584	-
Depreciation .....	168,377	-	-
Interest .....	-	-	15,786
Insurance .....	-	-	14,072
Travel.....	-	4,769	-
Other .....	<u>10,308</u>	<u>13,870</u>	<u>22,541</u>
	<u>\$2,839,351</u>	<u>531,676</u>	<u>614,091</u>

21st CENTURY CHARTER SCHOOL, INC.

d/b/a

FALL CREEK ACADEMY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 40,203
National School Lunch Program	10.555		125,418
Total for cluster			<u>165,621</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-through Indiana Department of Education			
Title 1, Part A Cluster			
Grants to Local Educational Agencies	84.010		332,202
Special Education Cluster			
Special Education - Grants to States	84.027		3,438
ARRA--Special Education - Grants to States	84.391		21,011
Total for cluster			<u>24,449</u>
Charter Schools Program	84.282		97,648
Improving Teacher Quality State Grants	84.367		61,374
Elementary and Secondary Act Cluster			
School Improvement Grants	84.377		262,555
ARRA--School Improvement Grants	84.388		43,362
			<u>305,917</u>
Education Jobs Fund	84.410		73,396
Total for federal grantor agency			<u>894,986</u>
Total federal awards expended			<u>\$1,060,607</u>

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

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of 21st Century Charter School, Inc. d/b/a Fall Creek Academy (the "School") under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

The Board of Directors  
21st Century Charter School, Inc.

We have audited the financial statements of **21st Century Charter School, Inc. d/b/a Fall Creek Academy** (the "School") as of and for the year ended June 30, 2012 and have issued our report thereon dated July 11, 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

The management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the School are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Indianapolis, IN  
July 11, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Directors  
21st Century Charter School, Inc.

Compliance

We have audited the compliance of **21st Century Charter School, Inc. d/b/a Fall Creek Academy** (the "School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2012. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

## Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Indianapolis, IN  
July 11, 2013

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Noncompliance noted which is material to financial statements:	No

Federal Awards

Internal control over major programs:	
▪ Material weaknesses:	None Reported
▪ Significant deficiencies that are not considered to be material weaknesses:	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	No

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

I. Summary of Auditors' Results, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Cluster: Grants to Local Educational Agencies
84.377	Elementary and Secondary Act Cluster: School Improvement Grants
84.388	ARRA—School Improvement Grants

Dollar threshold used to distinguish  
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee: No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

FINDING NO. 2011-1 REPORTING

Federal Agency:	U.S. Department of Education
Pass-Through Entity:	Indiana Department of Education
Federal Program:	Title I, Grants to Local Educational Agencies
CFDA Number:	84.010
Award Year:	FY 2010-11

Condition

This finding was a significant deficiency stating that of the four quarterly required reports due by the 10<sup>th</sup> of the month following the end of the quarter, two were not filed timely during the period audited.

Recommendation

The auditor recommended that the School Corporation Officials prepare all required reports on a timely basis.

Current Status

The recommendation was adopted. The School has established additional controls to ensure all reports are submitted in a timely fashion with a second staff member assigned to double-check all reports and deadlines. No similar finding was noted in the 2012 audit.

21<sup>ST</sup> CENTURY CHARTER SCHOOL, INC.  
d/b/a  
FALL CREEK ACADEMY

Other Reports

Year Ended June 30, 2012

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

Supplemental Audit Report of 21<sup>st</sup> Century Charter School, Inc.  
d/b/a Fall Creek Academy

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.