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September 24, 2013

Charter School Board
Charter for Accelerated Learning, Inc.
d/b/a Charles A. Tindley Accelerated School
3960 Meadows Drive
Indianapolis, IN 46205

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Charter for Accelerated Learning, Inc. d/b/a Charles A. Tindley Accelerated School, as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the findings in the report. Pages 18 and 19 contain two current audit findings. Management's response is on pages 18 and 19.

In addition to the report presented herein, a Supplemental Audit Report for Charter for Accelerated Learning, Inc. d/b/a Charles A. Tindley Accelerated School 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

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School

FINANCIAL STATEMENTS
June 30, 2012

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
Indianapolis, Indiana

FINANCIAL STATEMENTS
June 30, 2012

CONTENTS

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION.....	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF CASH FLOWS.....	4
NOTES TO FINANCIAL STATEMENTS	5
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	11
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	12
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	13
INDEPENDENT AUDITORS REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON THE INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....	14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	15
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS	20
OTHER REPORTS.....	21

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Charter for Accelerated Learning, Inc.
Indianapolis, Indiana

We have audited the accompanying statement of financial position of the Charter for Accelerated Learning, Inc. d/b/a Charles A. Tindley Accelerated School ("School") 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 School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Charter for Accelerated Learning, 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 a report dated February 25, 2013, on our consideration of the School'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 read in conjunction with this report in considering the results of our audit.

Our audit was conducted 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 other 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
February 25, 2013

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
STATEMENT OF FINANCIAL POSITION
June 30, 2012

	<u>2012</u>
ASSETS	
Cash and cash equivalents	\$ 538,827
Grants receivable	1,703,770
Prepaid expenses	34,439
Land, buildings, and equipment, net	<u>4,251,604</u>
Total assets	<u>\$ 6,528,640</u>
 LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable and accrued expenses	\$ 274,121
Vacation accrual	18,680
Bonds and notes payable	<u>4,578,943</u>
Total liabilities	<u>4,871,744</u>
Net assets	
Unrestricted	1,278,448
Temporarily restricted	<u>378,448</u>
Total net assets	<u>1,656,896</u>
Total liabilities and net assets	<u>\$ 6,528,640</u>

See accompanying notes to financial statements.

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
STATEMENT OF ACTIVITIES
Year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Federal and state grants	\$ 4,899,593	\$ -	\$ 4,899,593
Contributions	547,251	563,050	1,110,301
Program service fees	179,682	-	179,682
Investment income	1,641	-	1,641
Net assets released from restrictions	<u>248,035</u>	<u>(248,035)</u>	<u>-</u>
Total public support and revenues	5,876,202	315,015	6,191,217
 Expenses			
Middle school	1,665,062	-	1,665,062
High school	1,589,866	-	1,589,866
Turnaround consulting	900,000	-	900,000
General and administrative	1,212,535	-	1,212,535
Fundraising	<u>83,703</u>	<u>-</u>	<u>83,703</u>
Total expenses	<u>5,451,166</u>	<u>-</u>	<u>5,451,166</u>
 Change in net assets	425,036	315,015	740,051
 Net assets, beginning of year	<u>853,412</u>	<u>63,433</u>	<u>916,845</u>
 Net assets, end of year	<u>\$ 1,278,448</u>	<u>\$ 378,448</u>	<u>\$ 1,656,896</u>

See accompanying notes to financial statements.

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
STATEMENT OF CASH FLOWS
Year ended June 30, 2012

	<u>2012</u>
Cash flows from operating activities	
Change in net assets	\$ 740,051
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	316,734
Change in assets and liabilities	
Accounts receivable	(210,683)
Prepaid expenses	(595)
Accounts payable and accrued expenses	20,269
Vacation accrual	<u>(23,629)</u>
Net cash from operating activities	<u>842,147</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(627,414)</u>
Net cash from investing activities	<u>(627,414)</u>
Cash flows from financing activities	
Principal payments on bonds payable	<u>(119,331)</u>
Net cash from financing activities	<u>(119,331)</u>
Net change in cash and cash equivalents	95,402
Cash and cash equivalents, beginning of year	<u>443,425</u>
Cash and cash equivalents, end of year	<u>\$ 538,827</u>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ 64,932

See accompanying notes to financial statements.

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: The Charter For Accelerated Learning, Inc. began operations in 2002 to provide educational services including charter school management, turnaround school services, and education consulting. In 2004, Charter For Accelerated Learning Inc. launched the Charles A. Tindley Accelerated School (School) as an open-enrollment charter school serving grades 6-12. From the beginning, the School's vision has been to ensure 100 percent of its students gain acceptance to a fully-accredited four-year college or university. With this in mind, every student is required to complete a rigorous high school program culminating in authentic courses.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees.

Basis of Accounting: Effective July 1, 2011, the School adopted generally accepted accounting principles (GAAP) as the basis of accounting. Prior to July 1, 2011, the School had reported on an other comprehensive basis of accounting which was based on the regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6). The regulatory basis of accounting differed from accounting principles generally accepted in the United States of America in that receipts were recognized when received in cash, rather than when earned, and disbursements were recognized when paid, rather than when a liability is incurred.

Income Taxes: The School is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the School is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The School has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that 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 benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit will be recorded.

The School is no longer subject to examination by taxing authorities for years before 2009. The School does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The School recognizes interest and/or penalties related to income tax matters in income tax expense. The School did not have any amounts accrued for interest and penalties at June 30, 2012.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. The School does not accrue interest on any of its grants receivables.

(Continued)

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowances: No allowance for doubtful accounts is recorded as of June, 30, 2012. The allowances are based upon prior experience and management's analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The School currently considers all receivables to be fully collectible.

Property and Equipment: Expenditures for property and equipment and items in excess of \$1,000 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements	40 years
Machinery and equipment	3-5 years
Textbooks	3 years

Impairment of Long-Lived Assets: In accordance with GAAP, the School reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2012, management believes that no impairment exists.

Fair Value of Financial Instruments: The carrying value of all the School's financial instruments, which include cash and cash equivalents, grants receivable, accounts payable, and long-term debt, approximate fair values

Basis of Presentation: The School follows GAAP and reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the School. The unrestricted net assets of the School may be used at the discretion of management to support the School's purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes assets of the School related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates.

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets of the School related to contributions and other inflows of assets whose use by the School is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School had no permanently restricted net assets as of June 30, 2012.

Federal and State Grants: Support funded by grants is recognized as the School performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the School's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

(Continued)

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions: Contributions are recognized in the period that the promise to give is received. Unless specifically restricted by the donor, all contributions are considered available for unrestricted use. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support.

Functional and Allocated Expenses: Expenses are charged directly to activities when specifically identifiable. All other costs are allocated to the activities based upon various actual statistical bases. Salaries and related expenses are charged based on the relative amount of time historically spent by personnel.

Advertising: The School expenses advertising costs as incurred. During 2012, expenses totaling \$50,484 were incurred for advertising.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2012, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2012. Management has performed their analysis through February 25, 2013, the date the financial statements were issued.

Subsequent to June 30, 2012, the School entered into an agreement with a non-profit organization. As part of the agreement, the School's building was sold to the non-profit in exchange for the pay-off of the 2004 Economic Revenue Development Bonds which had a balance of \$3,152,340 as of June 30, 2012. The School is now leasing the building from the non-profit

In August 2012, Charter for Accelerated Learning, Inc. opened the Tindley Preparatory Academy, which is an extension of the Charles A. Tindley Accelerated School, serving as an all-male middle school designed to spark higher levels of academic achievement in males. Charter for Accelerated Learning, Inc. was also chosen by the Indiana State Board of Education as the Turnaround School Operator for Arlington High School, a college preparatory Indianapolis Public School educating students in grades 7-12, beginning with the 2012-2013 school year. As a result, the School was awarded approximately \$5.7 million of federal and state grants to fund operations.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable are due within one year and are as follows:

	<u>2012</u>
State support	\$ 1,528,022
Federal support	163,631
Other	<u>12,117</u>
	<u>\$ 1,703,770</u>

(Continued)

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 - LAND, BUILDINGS AND EQUIPMENT

At June 30, the carrying value of land, buildings and equipment consists of the following:

	<u>2012</u>
Land	\$ 125,000
Buildings and improvements	4,063,978
Machinery and equipment	1,724,744
Textbooks	<u>255,536</u>
	6,169,258
Less: accumulated depreciation	<u>(1,917,654)</u>
	<u>\$ 4,251,604</u>

Depreciation expense for the year ended June 30, 2012 was \$316,734.

NOTE 4 - LEASES

The School leases certain equipment under various non-cancelable operating leases which expire at various dates through June 2017.

Future minimum lease payments under operating leases at June 30, 2012, are as follows:

2013	\$ 58,077
2014	31,773
2015	26,924
2016	25,308
Thereafter	<u>17,825</u>
	<u>\$ 159,907</u>

Operating lease expenses for the year ended June 30, 2012 was approximately \$54,974.

NOTE 5 - BONDS AND NOTES PAYABLE

Bonds and notes payable consist of the following at June 30, 2012:

	<u>2012</u>
Bonds payable consist of Economic Development Revenue Bonds Series 2004 issued by the Indiana Finance Authority. The bonds were refinanced in December 2008 and are payable in monthly installments, including variable interest at the LIBOR rate plus 1.75% (1.99% at June 30, 2012), maturing in November 2038. The bonds are guaranteed by the Health and Hospital Corporation of Marion County.	\$ 3,152,340

(Continued)

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 5 - BONDS AND NOTES PAYABLE (Continued)

Notes payable includes five advancements from the State of Indiana Treasurer issued between January 2006 and January 2010. Payment on the loans is deferred until July 2013. Fixed interest rates range from 1% to 4%. The loans expire at various dates through January 2033.

1,426,603

\$ 4,578,943

Interest expense for the year ended June 30, 2012 was \$64,392.

Estimated future principal payments due on long term debt are:

2013	\$ 119,331
2014	159,024
2015	159,024
2016	159,024
2017	159,024
Thereafter	<u>3,823,516</u>
	<u>\$ 4,578,943</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

Walton fund	\$ 173,875
Industrial studio	117,500
Whitehill Clowes fund	56,055
Clowes fund	10,931
Zimmer library fund	7,017
SAT Prep	7,077
Blue ribbon teacher bonus	3,343
Teachers wish fund	1,550
Classroom libraries	500
Ted Brunner fund	400
National Energy Foundation	<u>200</u>
Total future minimum payments	<u>\$ 378,448</u>

Net assets are released from donor restrictions by incurring expenditures satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from restrictions during the year ended June 30, 2012 totaled \$248,035, and were related to various school and educational purposes.

(Continued)

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 - PENSION PLAN

The School participates in the Public Employment Retirement Fund (PERF) and the Teacher's Retirement Fund (TRF). The School is required to contribute 7.5% to the Teacher's Retirement Fund and 7.0% to Public Employment Retirement Fund, respectively. Employees are required to contribute 3% of gross wages to their respective plan. The expense for the year ended June 30, 2012 was \$189,273.

SUPPLEMENTARY INFORMATION

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
<u>U.S. Department of Agriculture</u>		
National School Lunch Program	10.555	\$ 136,930
<u>U.S. Department of Education</u>		
Pass-Through Indiana Department of Education:		
Title I Grants to Local Educational Agencies	84.010	370,507
Special Education Cluster:		
Special Education – Grants to States	84.027	92,034
ARRA - Special Education – Grants to States (IDEA Part B)	84.391A	<u>7,517</u>
Total Special Education Cluster		<u>99,551</u>
ARRA - School Improvement Grant	84.388A	899,834
Charter Schools	84.282	153,858
Improving Teacher Quality State Grants	84.367	94,783
Education Jobs Fund	84.410	<u>1,310</u>
		<u>\$ 1,756,773</u>

See accompanying note to the schedule of federal awards.

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2012

NOTE 1 - BASIS OF PRESENTATION

This schedule includes the federal awards activity of the Charter for Accelerated Learning, Inc. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Board of Trustees
Charter for Accelerated Learning, Inc.
Indianapolis, Indiana

We have audited the financial statements of the Charter for Accelerated Learning, Inc. d/b/a Charles A. Tindley Accelerated School ("the School") as of and for the year ended June 30, 2012, and have issued our report thereon dated February 25, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting: Management of 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 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 the 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency (Finding 12-01). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters: As part of obtaining reasonable assurance about whether the School'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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School in separate documents dated February 25, 2013.

The School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Trustees, Finance Committee, management, and federal awarding agencies, and is not intended to be, and should not be used by anyone other than these specified parties.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
February 25, 2013

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

Board of Trustees
Charter for Accelerated Learning, Inc.
Indianapolis, Indiana

Compliance: We have audited the Charter for Accelerated Learning, Inc. d/b/a Charles A. Tindley Accelerated School's ("School") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that that could have a direct and material effect on its major federal program for the year ended June 30, 2012. The School's major federal program is 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 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 on the School's compliance with those requirements.

In our opinion, the Charter for Accelerated Learning, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-02.

Internal Control Over Compliance: Management of the School is responsible for establishing and maintaining effective internal control over compliance with 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 in order to determine the 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 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 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 12-02. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the School in separate documents dated February 25, 2013.

The purpose of this report is solely to describe the scope of our testing over compliance and internal controls over compliance with the requirements that could have a direct and material effect on the major program and the results of that testing, and not to provide a legal determination of compliance with those requirements or an opinion on the effectiveness of internal control over compliance. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
February 25, 2013

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2012

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes None Reported

Type of auditor's 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 OMB Circular A-133? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.388A	ARRA- School Improvement Grant

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

Auditee qualified as low-risk auditee? Yes No

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2012

SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS.

FINDING 12-01 – MANAGEMENT OVERSIGHT OF OUTSOURCED BOOKKEEPERS

Criteria: Auditing standards require that “control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to provide reasonable assurance that specific entity objectives will be achieved.”

Condition: Journal entries and account reconciliations are performed by the outsourced bookkeeping firm and reviewed internally by the bookkeeping firm; however, there is not a review from School management.

Cause/Effect: As a result of the underlying condition, a financial statement misstatement may exist and not be detected and corrected by management in a timely manner.

Questioned Cost: None.

Recommendation: We recommend management institute additional procedures that provide an in-depth review of work performed by the outsourced bookkeeping firm on a periodic basis.

Management’s Response: We concur with the comment.

Corrective Action: We have hired a Controller that will maintain oversight of the outsourced bookkeepers. The Controller will review and approve monthly journal entries and account reconciliations. The Controller will be the individual primarily responsible for the implementation of this oversight. This is expected to be completed prior to June 30, 2013.

SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(a).

FINDING 12-02 – PREPARATION OF AN ACCURATE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal Program Information: This finding is applicable for all programs identified on the Schedule of Federal Awards (SEFA).

Criteria: OMB Circular A-133, Section 310(b) requires the auditee prepare a complete and accurate SEFA.

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2012

Condition: The SEFA prepared by the auditee did not contain all the required information.

Cause/Effect: The auditee provided to the auditor a list of federal awards with missing Catalog of Federal Domestic Assistance (CFDA) numbers. As a result, it was not possible to obtain accurate cluster or program information from the original SEFA.

Questioned Cost: None.

Recommendation: We recommend management maintain grant documents to ensure CFDA numbers are accurate, complete, and that all federal requirements have been satisfied.

Management's Response: We concur with the comment.

Corrective Action: We will implement procedures to ensure that the Schedule of Expenditures of Federal Awards contains all required information; both financial and non-financial. The Chief Operating Officer and the Controller will be the individuals primarily responsible for oversight of the preparation of the SEFA. These procedures will be implemented prior to June 30, 2013.

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2012

There were no audit findings or questioned costs in the prior year.

CHARTER FOR ACCELERATED LEARNING, INC.
d/b/a Charles A. Tindley Accelerated School
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:

Indiana State Board of Accounts Compliance Report of Charter for Accelerated Learning, Inc. d/b/a Charles A. Tindley Accelerated School.

The above 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*.