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September 24, 2013

Charter School Board
Andrew J. Brown Academy
3600 N. German Church Road
Indianapolis, IN 46235

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Deloitte & Touche 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 J. Brown Academy, as of June 30, 2012 and 2011, 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 33 through 36 contain two audit findings. Pages 37 and 38 contain the status of two prior audit findings. Management's Corrective Action Plan is on page 39.

In addition to the report presented herein, a Supplemental Audit Report for Andrew J. Brown 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



Basic Financial Statements as of and for the Years
Ended June 30, 2012 and 2011, Required
Supplemental Information and Office of Management
and Budget Circular A-133 Reports, Including
Supplemental Schedule of Expenditures of Federal
Awards for the Years Ended June 30, 2012 and 2011



**ANDREW J. BROWN
ACADEMY**

A PUBLIC CHARTER SCHOOL MANAGED BY NATIONAL HERITAGE ACADEMIES

ANDREW J. BROWN ACADEMY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Andrew J. Brown Academy
Indianapolis, Indiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Andrew J. Brown Academy (the "Academy"), as of and for the years ended June 30, 2012 and 2011, which collectively comprise the Academy's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions 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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Academy as of June 30, 2012 and 2011, and the respective changes in the financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 19-20, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's financial statements. The schedules of expenditures of federal awards for the years ended June 30, 2012 and 2011, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133) are presented for purposes of additional analysis and are 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 audits 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 schedules of expenditures of federal awards for the years ended June 30, 2012 and 2011, are fairly stated in all material respects in relation to the financial statements as a whole.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The additional information listed in the foregoing table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Deloitte & Touche LLP

February 28, 2013

ANDREW J. BROWN ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

The discussion and analysis of Andrew J. Brown Academy (the "Academy") financial performance provides an overall review of the Academy's financial activities as of and for the years ended June 30, 2012 and 2011. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole. It should be read in conjunction with the financial statements and notes to the financial statements, which immediately follow this section, to enhance understanding of the Academy's financial performance.

The Management's Discussion and Analysis is an element of the reporting model adopted by the Governmental Accounting Standards Board ("GASB") in their Statement No. 34, *Financial Statements – and Management's Discussion and Analysis – for State and Local Government*, issued June, 1999.

Financial Highlights

For the fiscal year ended June 30, 2012, total assets were \$2,572,859, total liabilities were \$2,449,010, and total net assets were \$123,849. For the fiscal year ended June 30, 2011, total assets were \$2,235,125, total liabilities were \$2,114,183, and total net assets were \$120,942.

Using this Financial Report

This report consists of a series of financial statements and notes to those statements. The statements of net assets and the statements of activities on pages 7 and 8 provide information about the activities of the Academy as a whole (Academy-wide financial statements). Fund financial statements on pages 9-12 provide information about the Academy's most significant funds.

Academy-wide Financial Statements

The Academy-wide financial statements include all assets and liabilities and results of operations using the accrual basis of accounting, which is similar to the accounting used by most private sector companies.

The statement of net assets and statement of activities report the governmental and business-type activities for the Academy. The governmental activities encompass all the Academy's services, including instruction and support services. The Academy has entered into a management agreement (the "agreement") with National Heritage Academies, Inc. (NHA), which requires NHA to provide administration, strategic planning, and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. Under the terms of the agreement, NHA receives as remuneration for its services an amount equal to the total revenue received by the Academy from all revenue sources.

The table below provides a summary of the Academy's net assets as of June 30, as follows:

	2012	2011	2010
Assets:			
Current assets	\$ 2,568,643	\$ 2,230,382	\$ 2,401,132
Capital assets — net of accumulated depreciation	<u>4,216</u>	<u>4,743</u>	<u>281</u>
Total assets	<u>2,572,859</u>	<u>2,235,125</u>	<u>2,401,413</u>
Liabilities — current	<u>2,449,010</u>	<u>2,114,183</u>	<u>2,270,433</u>
Net assets:			
Invested in capital assets	4,216	4,743	281
Unrestricted	<u>119,633</u>	<u>116,199</u>	<u>130,699</u>
Total net assets	<u>\$ 123,849</u>	<u>\$ 120,942</u>	<u>\$ 130,980</u>

The unrestricted net assets of governmental activities represent the accumulated results of life to date operations. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. The results of the current-year operations for the Academy as a whole are reported in the statement of activities, which shows the change in net assets.

The tables below provide a summary of the Academy's change in net assets for the years ended June 30, as follows:

	2012	2011	2010
Revenues:			
State aid	\$ 4,258,387	\$ 3,904,779	\$ 3,888,048
Operating grants	1,404,929	1,408,857	1,700,226
Charges for meals	11,279	18,292	23,033
Private sources — NHA	<u>119,609</u>	<u>421,629</u>	<u>-</u>
Total revenues	<u>5,794,204</u>	<u>5,753,557</u>	<u>5,611,307</u>
Expenses —			
Contracted service fee:			
Instruction	5,394,917	5,390,388	5,270,733
Support services	31,565	42,633	33,556
Food services	364,288	329,766	303,407
Depreciation	<u>527</u>	<u>808</u>	<u>2,167</u>
Total expenses	<u>5,791,297</u>	<u>5,763,595</u>	<u>5,609,863</u>
Change in net assets	<u>\$ 2,907</u>	<u>\$ (10,038)</u>	<u>\$ 1,444</u>

As reported in the statement of activities, the cost of governmental activities was \$5,791,297 for 2012 and \$5,763,595 for 2011. These activities were primarily funded by the Academy's state and local aid (based on student count) and governments that subsidized certain programs with grants. *Revenues — Private sources — NHA* represent a contribution granted by NHA for the excess of Academy expenses over public revenues available.

The Academy experienced an increase in net assets of \$2,907 in 2012 and a decrease in net assets of \$10,038 in 2011. Under the terms of the agreement with NHA, NHA provides a spending account to the board of directors for discretionary expenditures on an annual basis. The primary reason for the change in net assets is the timing of these discretionary expenditures.

A reconciliation of the statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities appears on page 10.

Fund Financial Statements

The fund level financial statements focus on the activities of the individual parts of the Academy. There are two parts to the fund financial statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

Governmental Funds — The Academy's instruction and support services activities are reported in the general fund, state public school fund, and federal grants fund. The governmental funds are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized when incurred. The Academy's instruction and support activities are reported in the general fund. At June 30, 2012 and 2011, the total unassigned fund balance was \$119,633 and \$116,199.

A reconciliation of the balance sheet of governmental funds to the statement of net assets appears on page 9.

Capital Assets

At June 30, 2012 and 2011, the Academy had \$4,216 and \$4,743 invested in capital assets from board discretionary funds, primarily other equipment. Capital assets are substantially provided as part of the agreement with NHA.

General Economic Factors

The Academy depends on legislative and governmental support to fund its operations. Based on information currently available, no significant changes are expected to occur in the nature of the funding or operations of the Academy in 2013.

Contacting the Academy's Financial Management

The financial report is designed to provide users of the report with a general overview of the Academy's finances and to demonstrate the Academy's accountability for the money it receives. If you have questions about this report, contact the Chief Financial Officer of National Heritage Academies, Inc., 3850 Broadmoor SE, Ste. 201, Grand Rapids, MI 49512.

ANDREW J. BROWN ACADEMY

STATEMENTS OF NET ASSETS

JUNE 30, 2012 AND 2011

	Governmental Activities	
	2012	2011
ASSETS		
CURRENT ASSETS:		
Cash	\$ 232,484	\$ 121,613
Due from governmental revenue sources	<u>2,336,159</u>	<u>2,108,769</u>
Total current assets	<u>2,568,643</u>	<u>2,230,382</u>
NONCURRENT ASSETS:		
Capital assets	22,270	22,270
Less accumulated depreciation	<u>(18,054)</u>	<u>(17,527)</u>
Total capital assets — net of accumulated depreciation	<u>4,216</u>	<u>4,743</u>
TOTAL	<u>\$ 2,572,859</u>	<u>\$ 2,235,125</u>
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES:		
Deferred revenue	33,134	68,771
Contracted service fee payable	<u>2,415,876</u>	<u>2,045,412</u>
Total current liabilities	<u>2,449,010</u>	<u>2,114,183</u>
NET ASSETS:		
Invested in capital assets	4,216	4,743
Unrestricted	<u>119,633</u>	<u>116,199</u>
Total net assets	<u>123,849</u>	<u>120,942</u>
TOTAL	<u>\$ 2,572,859</u>	<u>\$ 2,235,125</u>

See notes to financial statements.

ANDREW J. BROWN ACADEMY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2012

		Program Revenues		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS — Governmental activities:				
Contracted service fee:				
Instruction	\$ 5,394,917	\$ -	\$ 1,068,867	\$ (4,326,050)
Support services	31,565	-	-	(31,565)
Food services	364,288	11,279	336,062	(16,947)
Depreciation (unallocated)	<u>527</u>	<u>-</u>	<u>-</u>	<u>(527)</u>
Total governmental activities	<u>\$ 5,791,297</u>	<u>\$ 11,279</u>	<u>\$ 1,404,929</u>	(4,375,089)
GENERAL PURPOSE REVENUES:				
State aid unrestricted				4,258,387
Private sources — NHA				<u>119,609</u>
Total general purpose revenue				<u>4,377,996</u>
CHANGE IN NET ASSETS				2,907
NET ASSETS:				
Beginning of year				<u>120,942</u>
End of year				<u>\$ 123,849</u>

See notes to financial statements.

ANDREW J. BROWN ACADEMY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2011

		Program Revenues		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS — Governmental activities:				
Contracted service fee:				
Instruction	\$ 5,390,388	\$ -	\$ 1,119,455	\$ (4,270,933)
Support services	42,633	-	-	(42,633)
Food services	329,766	18,292	289,402	(22,072)
Depreciation (unallocated)	808	-	-	(808)
Total governmental activities	<u>\$ 5,763,595</u>	<u>\$ 18,292</u>	<u>\$ 1,408,857</u>	(4,336,446)
GENERAL PURPOSE REVENUES:				
State aid unrestricted				3,904,779
Private sources — NHA				<u>421,629</u>
				<u>4,326,408</u>
CHANGE IN NET ASSETS				(10,038)
NET ASSETS:				
Beginning of year				<u>130,980</u>
End of year				<u>\$ 120,942</u>

See notes to financial statements.

ANDREW J. BROWN ACADEMY

BALANCE SHEET — GOVERNMENTAL FUNDS

JUNE 30, 2012

	General	Other	Total
ASSETS			
CASH	\$ 232,484	\$ -	\$ 232,484
DUE FROM GOVERNMENTAL REVENUE SOURCES	<u>2,212,429</u>	<u>123,730</u>	<u>2,336,159</u>
TOTAL	<u>\$ 2,444,913</u>	<u>\$ 123,730</u>	<u>\$ 2,568,643</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:			
Deferred revenue	\$ 1,508,484	\$ 14,748	\$ 1,523,232
Contracted service fee payable	<u>816,796</u>	<u>108,982</u>	<u>925,778</u>
Total liabilities	2,325,280	123,730	2,449,010
FUND BALANCE — Unrestricted	<u>119,633</u>	<u>-</u>	<u>119,633</u>
TOTAL	<u>\$ 2,444,913</u>	<u>\$ 123,730</u>	<u>\$ 2,568,643</u>

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

Total governmental fund balance	<u>\$ 119,633</u>
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Capital assets cost	22,270
Accumulated depreciation	<u>(18,054)</u>
	4,216
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds	1,490,098
Due to NHA not due and payable in the current period and not reported in the funds	<u>(1,490,098)</u>
Net assets of governmental activities	<u>\$ 123,849</u>

See notes to financial statements.

ANDREW J. BROWN ACADEMY

BALANCE SHEET — GOVERNMENTAL FUNDS

JUNE 30, 2011

	General	Other	Total
ASSETS			
CASH	\$ 121,613	\$ -	\$ 121,613
DUE FROM GOVERNMENTAL REVENUE SOURCES	<u>2,009,053</u>	<u>99,716</u>	<u>2,108,769</u>
TOTAL	<u>\$ 2,130,666</u>	<u>\$ 99,716</u>	<u>\$ 2,230,382</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:

Deferred revenue	\$ 1,406,577	\$ 13,293	\$ 1,419,870
Contracted service fee payable	<u>607,890</u>	<u>86,423</u>	<u>694,313</u>
Total liabilities	2,014,467	99,716	2,114,183
FUND BALANCE — Unrestricted	<u>116,199</u>	<u>-</u>	<u>116,199</u>
TOTAL	<u>\$ 2,130,666</u>	<u>\$ 99,716</u>	<u>\$ 2,230,382</u>

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

Total governmental fund balance	<u>\$ 116,199</u>
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Capital assets cost	22,270
Accumulated depreciation	<u>(17,527)</u>
	4,743
Due from governmental revenue sources not available to pay current period expenditures therefore deferred in the funds	1,351,099
Due to NHA not due and payable in the current period and not reported in the funds	<u>(1,351,099)</u>
Net assets of governmental activities	<u>\$ 120,942</u>

See notes to financial statements.

ANDREW J. BROWN ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2012

	General	Other	Total
REVENUES:			
State aid	\$ 4,141,048	\$ -	\$ 4,141,048
Other state sources	245,604	43,472	289,076
Federal sources	-	1,075,719	1,075,719
Private sources	18,474	11,279	29,753
Private sources — NHA	258,608	-	258,608
Total revenues	4,663,734	1,130,470	5,794,204
EXPENDITURES:			
Management contract service fee	4,611,788	783,129	5,394,917
Food services	-	364,288	364,288
Support services	31,565	-	31,565
Total expenditures	4,643,353	1,147,417	5,790,770
REVENUES OVER (UNDER) EXPENDITURES	20,381	(16,947)	3,434
OTHER FINANCING (USES) SOURCES — Operating transfers (out) in	(16,947)	16,947	-
NET CHANGE IN FUND BALANCE	3,434	-	3,434
FUND BALANCE — Beginning of year	116,199	-	116,199
FUND BALANCE — End of year	\$ 119,633	\$ -	\$ 119,633

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balance — total governmental funds	\$ 3,434
Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their useful lives as depreciation — depreciation expense	(527)
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	1,490,098
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years	(1,351,099)
Contracted service fee recognized consistent with the revenue policy	(138,999)
Change in net assets of governmental activities	\$ 2,907

See notes to financial statements.

ANDREW J. BROWN ACADEMY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2011

	General	Other	Total
REVENUES:			
State aid	\$ 2,603,709	\$ -	\$ 2,603,709
Other state sources	160,153	49,365	209,518
Federal sources	-	1,093,077	1,093,077
Private sources	9,733	18,292	28,025
Local sources	46,500		46,500
Private sources — NHA	<u>1,772,728</u>	<u>-</u>	<u>1,772,728</u>
Total revenues	<u>4,592,823</u>	<u>1,160,734</u>	<u>5,753,557</u>
EXPENDITURES:			
Management contract service fee	4,542,618	853,040	5,395,658
Food services	-	329,766	329,766
Support services	<u>42,633</u>	<u>-</u>	<u>42,633</u>
Total expenditures	<u>4,585,251</u>	<u>1,182,806</u>	<u>5,768,057</u>
REVENUES OVER (UNDER) EXPENDITURES	7,572	(22,072)	(14,500)
OTHER FINANCING (USES) SOURCES — Operating transfers (out) in	<u>(22,072)</u>	<u>22,072</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(14,500)	-	(14,500)
FUND BALANCE — Beginning of year	<u>130,699</u>	<u>-</u>	<u>130,699</u>
FUND BALANCE — End of year	<u>\$ 116,199</u>	<u>\$ -</u>	<u>\$ 116,199</u>

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Net change in fund balance — total governmental funds	\$ (14,500)
Governmental funds report capital outlays as expenditures, in the statement of activities these costs are allocated over their useful lives as depreciation — depreciation expense	4,462
Revenue reported in the statement of activities that does not provide current financial resources and are not reported as revenue in the governmental funds	1,351,099
Contracted service fee recognized consistent with the revenue policy	<u>(1,351,099)</u>
Change in net assets of governmental activities	<u>\$ (10,038)</u>

See notes to financial statements.

ANDREW J. BROWN ACADEMY

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Andrew J. Brown Academy (the "Academy") is a public benefit not-for-profit organization established under the laws of the State of Indiana. The Academy provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation.

The Academy operates a public charter school established under Indiana Code 20-24-3-1 and is sponsored by the Mayor of the Consolidated City of Indianapolis (the "Sponsor"), which is responsible for oversight of the Academy's operations. The charter remains in effect until August 14, 2017, and is renewable thereafter by mutual consent. Management believes the charter will be renewed in the ordinary course of business.

The Board of Directors of the Academy (the "Board of Directors") entered into a management agreement (the "agreement") with National Heritage Academies, Inc. (NHA) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

The Academy is exempt from taxation as a governmental entity pursuant to Internal Revenue Code Section 115. The Academy qualifies for public charity status by meeting the requirements of Internal Revenue Code Sections 509(1) and 170(b)(1)(A)(ii).

Under the terms of the agreement, NHA receives all Academy revenue from all sources as their contracted service fee. NHA is entitled to any difference between the gross management fee and the operating costs of the school as compensation for management services rendered.

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing body and is able to impose its will on the organization, or if the organization provided benefits to, or imposes financial burdens on the Academy. The Academy's financial reporting entity is composed of the following:

Primary Government:	Andrew J. Brown Academy
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In determining the financial reporting entity, the Academy complies with the provisions of Government Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Academy-wide and Fund Financial Statements — The statement of net assets and statement of activities display information about the reporting government as a whole. These financial statements include all funds of the reporting entity with the exception of fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The Academy does not have any business-type activities.

Fund-based financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, fund balance, revenues and expenditures.

The Academy reports the following major governmental funds:

The General Fund — The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Academy-wide Statements — The Academy-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of interfund activity has been eliminated from the Academy-wide financial statements.

Fund Based Statements — Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The contracted service fee to NHA is recorded consistent with the recognition of revenue.

Estimates — Management uses estimates and assumptions in preparing financial statements in conformity with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash — Cash as of June 30, 2012 and 2011, represents bank deposits, which are covered by federal depository insurance.

Deferred Revenue — Deferred revenue as of June 30, 2011 and 2012, consists of funds received for services, which have not been performed or are not available and measurable.

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2012 and 2011 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

Capital Assets — Capital assets, which include other equipment, are reported in the applicable governmental column in the government-wide financial statements at historical cost. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Other equipment is depreciated using the straight-line method over useful lives of 3-10 years.

Net Assets and Fund Balances — Net assets are displayed as invested in capital assets, restricted or unrestricted. Invested in capital assets consist of other equipment that the Academy acquired. Restricted net assets represent net assets with constraints placed on their use that are either (i) externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or (ii) imposed by law through constitutional provisions or enabling legislation, as defined in GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Unrestricted Net Assets consist of net assets that do not meet the definition of the preceding two components.

When both restricted and unrestricted resources are available for use, the Academy's policy is to use restricted resources first, then unrestricted resources as they are needed.

Fund balances may be classified as restricted, committed, assigned, or unassigned. The term restricted is used either to designate a portion of fund balance as legally segregated for a specific future use or to indicate that certain assets do not represent spendable resources available for general educational programs. The term committed represents amounts that can only be used for the specific purpose determined by a formal resolution of the Board of Directors. The term assigned is used to classify the fund balance intended to be used by the Board of Directors but does not meet the criteria to be restricted or committed. The term unassigned is used for amounts that have not been restricted, committed, or otherwise assigned for future uses.

3. BUDGETARY INFORMATION

Annual budgets are adopted on a basis utilizing accounting principles generally accepted in the United States of America and consistent with state law for the general and special revenue funds. The budget document presents information by fund and function. The budgets can be amended by the Board of Directors as considered necessary.

4. DEPOSITS

Deposits, made in accordance with Indiana Code 5-13 with financial institutions in the State of Indiana at June 30, 2012 and 2011, were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. At June 30, 2012 and 2011, the Academy had deposit balances in the amount of \$234,602 and \$127,100, respectively.

5. CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities — other equipment	<u>\$ 22,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,270</u>
Total capital assets at historical cost	<u>22,270</u>	<u>-</u>	<u>-</u>	<u>22,270</u>
Less accumulated depreciation — other equipment	<u>17,527</u>	<u>527</u>	<u>-</u>	<u>18,054</u>
Total accumulated depreciation	<u>17,527</u>	<u>527</u>	<u>-</u>	<u>18,054</u>
Total governmental activities capital assets — net	<u>\$ 4,743</u>	<u>\$ (527)</u>	<u>\$ -</u>	<u>\$ 4,216</u>

Capital asset activity of the Academy's governmental activities for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities — other equipment	<u>\$ 17,000</u>	<u>\$ 5,270</u>	<u>\$ -</u>	<u>\$ 22,270</u>
Total capital assets at historical cost	<u>17,000</u>	<u>5,270</u>	<u>-</u>	<u>22,270</u>
Less accumulated depreciation — other equipment	<u>16,719</u>	<u>808</u>	<u>-</u>	<u>17,527</u>
Total accumulated depreciation	<u>16,719</u>	<u>808</u>	<u>-</u>	<u>17,527</u>
Total governmental activities capital assets — net	<u>\$ 281</u>	<u>\$ 4,462</u>	<u>\$ -</u>	<u>\$ 4,743</u>

6. RISK MANAGEMENT

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2012 or 2011, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

7. OPERATING LEASE

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease terms are from July 1, 2011 through June 30, 2012 and July 1, 2010 through June 30, 2011. Annual rental payments required by the lease are \$764,796, payable in twelve monthly payments of \$63,733. This lease is renewable on a year-to-year basis.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2012 through June 30, 2013, at the same rental rate.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

ANDREW J. BROWN ACADEMY

BUDGETARY COMPARISON SCHEDULE YEAR ENDED JUNE 30, 2012

	Original Budget	Final Amended Budget	Actual	Over Under Final Budget
REVENUES:				
State Aid	\$ 3,870,802	\$ 4,255,227	\$ 4,141,048	\$ (114,179)
Other State Sources	225,627	348,051	289,076	(58,975)
Federal Grants	1,319,995	1,234,593	1,075,719	(158,874)
Private Sources	25,432	27,816	29,753	1,937
Private Sources — NHA	<u>530,079</u>	<u>173,778</u>	<u>258,608</u>	<u>84,830</u>
Total revenues	<u>5,971,935</u>	<u>6,039,465</u>	<u>5,794,204</u>	<u>(245,261)</u>
EXPENDITURES — Contracted service fee	<u>5,971,935</u>	<u>6,155,664</u>	<u>5,790,770</u>	<u>(364,894)</u>
REVENUES OVER UNDER EXPENDITURES	-	(116,199)	3,434	119,633
FUND BALANCE — Beginning of year	<u>116,199</u>	<u>116,199</u>	<u>116,199</u>	<u>-</u>
FUND BALANCE — End of year	<u>\$ 116,199</u>	<u>\$ -</u>	<u>\$ 119,633</u>	<u>\$ 119,633</u>

See auditors' report on supplementary information.

ANDREW J. BROWN ACADEMY

BUDGETARY COMPARISON SCHEDULE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Amended Budget	Actual	(Under) Over Final Budget
REVENUES:				
State Aid	\$ 4,025,625	\$ 3,903,545	\$ 2,603,709	\$ (1,299,836)
Other State Sources	282,736	278,790	209,518	(69,272)
Local Sources	-	-	46,500	46,500
Federal Grants	1,204,549	1,603,700	1,093,077	(510,623)
Private Sources	27,658	71,091	28,025	(43,066)
Private Sources — NHA	<u>230,020</u>	<u>443,189</u>	<u>1,772,728</u>	<u>1,329,539</u>
Total revenues	<u>5,770,588</u>	<u>6,300,315</u>	<u>5,753,557</u>	<u>(546,758)</u>
EXPENDITURES — Contracted service fee	<u>5,770,588</u>	<u>6,431,014</u>	<u>5,768,057</u>	<u>(662,957)</u>
REVENUES (UNDER) OVER EXPENDITURES	-	(130,699)	(14,500)	116,199
FUND BALANCE — Beginning of year	<u>130,699</u>	<u>130,699</u>	<u>130,699</u>	<u>-</u>
FUND BALANCE — End of year	<u>\$ 130,699</u>	<u>\$ -</u>	<u>\$ 116,199</u>	<u>\$ 116,199</u>

See auditors' report on supplementary information.

ADDITIONAL INFORMATION

ANDREW J. BROWN ACADEMY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2012

	School Lunch	Textbook Rental	Title I	Title IIA	Title I Stimulus	Special Education Stimulus	Totals
REVENUE:							
Private sources	\$ 11,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,279
State sources	-	43,472	-	-	-	-	43,472
Federal sources	<u>336,062</u>	<u>-</u>	<u>523,081</u>	<u>53,916</u>	<u>19,702</u>	<u>142,958</u>	<u>1,075,719</u>
Total revenue	<u>347,341</u>	<u>43,472</u>	<u>523,081</u>	<u>53,916</u>	<u>19,702</u>	<u>142,958</u>	<u>1,130,470</u>
EXPENDITURES — Current —							
Contract service fee	<u>364,288</u>	<u>43,472</u>	<u>523,081</u>	<u>53,916</u>	<u>19,702</u>	<u>142,958</u>	<u>1,147,417</u>
Total expenditures	<u>364,288</u>	<u>43,472</u>	<u>523,081</u>	<u>53,916</u>	<u>19,702</u>	<u>142,958</u>	<u>1,147,417</u>
REVENUES UNDER EXPENDITURES	(16,947)	-	-	-	-	-	(16,947)
OTHER FINANCING SOURCES —							
Transfers in	<u>16,947</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	-	-	-
FUND BALANCE — Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE — Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See auditors' report on additional information.

ANDREW J. BROWN ACADEMY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OTHER GOVERNMENTAL FUNDS YEAR ENDED JUNE 30, 2011

	School Lunch	Textbook Rental	Title I	Title IIA	Special Education	Planning and Implementation Grant	Title I Stimulus	Totals
REVENUE:								
Private sources	\$ 18,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,292
State sources	836	48,529	-	-	-	-	-	49,365
Federal sources	<u>288,566</u>	<u>-</u>	<u>534,427</u>	<u>63,575</u>	<u>(4,807)</u>	<u>125,381</u>	<u>85,935</u>	<u>1,093,077</u>
Total revenue	<u>307,694</u>	<u>48,529</u>	<u>534,427</u>	<u>63,575</u>	<u>(4,807)</u>	<u>125,381</u>	<u>85,935</u>	<u>1,160,734</u>
EXPENDITURES — Current — contract service fee	<u>329,766</u>	<u>48,529</u>	<u>534,427</u>	<u>63,575</u>	<u>4,807</u>	<u>125,381</u>	<u>85,935</u>	<u>1,192,420</u>
Total expenditures	<u>329,766</u>	<u>48,529</u>	<u>534,427</u>	<u>63,575</u>	<u>4,807</u>	<u>125,381</u>	<u>85,935</u>	<u>1,192,420</u>
REVENUES UNDER EXPENDITURES	(22,072)	-	-	-	-	-	-	(31,686)
OTHER FINANCING SOURCES — Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,959</u>
NET CHANGE IN FUND BALANCE	(22,072)	-	-	-	-	-	-	(14,727)
FUND BALANCE — Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE — Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,727)</u>

See auditors' report on additional information.

SUPPLEMENTAL SCHEDULES

ANDREW J. BROWN ACADEMY

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title Grant Number	Federal CFDA Number	Total Federal Awards Expended June 30, 2012
U.S. Department of Agriculture — Passed through the Indiana Department of Education: Child Nutrition Cluster: Cash Assistance: National School Breakfast Program	10.553	\$ 66,618
National School Lunch Program	10.555	<u>269,443</u>
Total U.S. Department of Agriculture		<u>336,061</u>
U.S. Department of Education — Passed through the Indiana Department of Education: Title I Cluster: Title I Grants to Local Educational Agencies	84.010	523,081
ARRA Title I Grants to Local Educational Agencies	84.389	<u>7,943</u>
Total Title I Cluster		<u>531,024</u>
Title II Improving Teacher Quality	84.367	67,334
Special Education Cluster: ARRA IDEA Part B	84.391	<u>142,960</u>
Total U.S. Department of Education		<u>741,318</u>
Total		<u>\$ 1,077,379</u>

ANDREW J. BROWN ACADEMY

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title Grant Number	Federal CFDA Number	Total Federal Awards Expended June 30, 2011
U.S. Department of Agriculture — Passed through the Indiana Department of Education: Child Nutrition Cluster: Cash Assistance:		
National School Breakfast Program	10.553	\$ 53,837
National School Lunch Program	10.555	<u>234,728</u>
Total U.S. Department of Agriculture		<u>288,565</u>
U.S. Department of Education — Passed through the Indiana Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	534,427
ARRA Title I Grants to Local Educational Agencies	84.389	<u>97,696</u>
Total Title I Cluster		632,123
Charter School Grant	84.282	125,381
Title II Improving Teacher Quality	84.367	63,574
Special Education Cluster: IDEA Part B	84.027	<u>(4,807)</u>
Total U.S. Department of Education		<u>816,271</u>
Total		<u>\$ 1,104,836</u>

ANDREW J. BROWN ACADEMY

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

A. BASIS OF PRESENTATION

The accompanying supplemental schedule of expenditures of federal awards is presented in accordance with the Office of Management and Budget Circular A-133 and is prepared using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

B. RECONCILIATION TO FUND STATEMENTS

The current-year expenditures reported on the schedule of expenditures of federal awards is reconciled to the basic financial statements as follows:

	2012	2011
Total federal revenue per the statement of revenues, expenditures, and changes in fund balance	\$ 1,075,719	\$ 1,093,077
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds	13,419	11,759
Revenue reported in the governmental funds as available and measurable — reported in the statement of activities in prior years	<u>(11,759)</u>	<u>-</u>
Current-year expenditures reported on the schedule of expenditures of federal awards	<u>\$ 1,077,379</u>	<u>\$ 1,104,836</u>

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 J. Brown Academy
Indianapolis, Indiana

We have audited the financial statements of Andrew J. Brown Academy, (the "Academy"), as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated February 28, 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 the Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the 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 Academy'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.

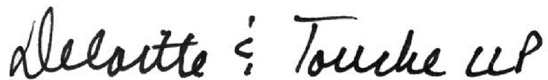
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 audits 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 solely for the information and use of management, the Board of Directors, National Heritage Academies, Inc., the authorizing agency, the Indiana Department of Education, federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

The logo for Deloitte & Touche LLP, written in a cursive script.

February 28, 2013

INDEPENDENT AUDITOR'S 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

Board of Directors
Andrew J. Brown Academy
Indianapolis, Indiana

Compliance

We have audited Andrew J. Brown Academy's (the "Academy") compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement*, that could have a direct and material effect on each of the Academy's major federal programs for the years ended June 30, 2012 and 2011. The Academy's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Academy's management. Our responsibility is to express an opinion on the Academy's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial 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 audits 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 Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination of the Academy's compliance with those requirements.

In our opinion, the Academy 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 years ended June 30, 2012 and 2011. However, the results of our auditing procedures disclosed an instance of noncompliance 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 2012-1 and 2011-1.

Internal Control over Compliance

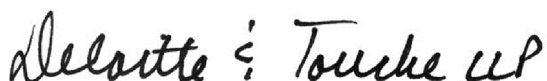
Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audits, we considered the Academy's internal control over compliance with the requirements that could have a direct and material effect on a major federal program 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 Academy'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.

The Academy's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Academy's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, the Academy's authorizer, the Indiana Department of Education, 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.

The logo for Deloitte & Touche LLP, featuring the firm's name in a stylized, handwritten-style script.

February 28, 2013

ANDREW J. BROWN ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEARS ENDED JUNE 30, 2012 AND 2011

I. SUMMARY OF AUDITORS' RESULTS:

A. FINANCIAL STATEMENTS

1. Type of auditors' report issued: The independent auditors' report on the financial statements expressed an unqualified opinion.
2. Internal control over financial reporting:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified? ☐ Yes ☒ None reported
3. Noncompliance material to financial statements noted ☐ Yes ☒ No

B. FEDERAL AWARDS

4. Internal control over major programs:
 - Material weakness(es) identified? ☐ Yes ☒ No
 - Significant deficiency(ies) identified? ☐ Yes ☒ None reported
5. Type of auditors' report issued on compliance for major programs: The independent auditors' report on compliance with requirements applicable to major federal award programs expressed an unqualified opinion.
6. Any audit findings disclosed that are required to be reported by OMB Circular A-133. ☐ Yes ☒ No

ANDREW J. BROWN ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEARS ENDED JUNE 30, 2012 AND 2011

7. Identification of major programs:

2012 Major Programs

CFDA Number

Name of Federal Program —	
Department of Agriculture	
Child nutrition Cluster	
National School Breakfast Program	10.553
National School Lunch School	10.555
U.S Department of Education —	
Title I Grants to Local Educational Agencies Cluster	
Title I Grants to local Educational Agencies	84.010
Title I ARRA	84.389

2011 Major Programs

CFDA Number

Name of Federal Program —	
U.S Department of Education —	
Title I Grants to Local Educational Agencies Cluster	
Title I Grants to local Educational Agencies	84.010
Title I ARRA	84.389

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.

9. Auditee qualified as low-risk auditee? Yes X No

II. FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

FINDING 2012-1

Federal Program Information

Applicable to the following major programs and CFDA/Contract Number:

U.S. Department of Education	
Pass Through: Indiana Department of Education	
Title I Cluster	
Title I A – Grants to Educational Agencies	84.010
Title I ARRA	84.389

ANDREW J. BROWN ACADEMY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEARS ENDED JUNE 30, 2012 AND 2011

Condition

The Academy did not appropriately reconcile the amounts used in the Form 9 submission to the books and records from which the audited financial statements were prepared. Therefore, the Form 9 submissions used by the State of Indiana for the Maintenance of Effort (MOE) calculation for 2012 were not reliable.

Criteria or specific requirement (including statutory, regulatory, or other citations)

OMB Circular A-133 subpart C indicates that it is the auditee's responsibility to comply with laws, regulations, and provisions of contracts or grant agreements related to each of its Federal programs.

Effect

The MOE calculation prepared by the State of Indiana was based on information included in the Form 9 that was not appropriately reconciled to the books and records from which the audited financial statements were prepared.

Causes

The MOE calculation was prepared based upon data that was not appropriately reconciled to the books and records from which the audited financial statements were prepared.

Context

The Maintenance of Effort Calculation is a requirement of OMB Circular A-133 for the Title I grant. The MOE is a calculation based on preceding year's expenditures for a school. The State of Indiana performs the actual MOE calculation based upon data submitted by the Academy. For the year ended 6/30/12, the State of Indiana used 2009 and 2010 expenditure information; expenditures as of 6/30/10 must be 90% or more of expenditures as of 6/30/09.

The State of Indiana requires the Academy to submit a biannual state prescribed Form 9 report. This report shows both federal and state revenues and expenditures. The Form 9 is presented on a cash basis and the schools books and records are maintained on an accrual basis; therefore, the Academy must perform a reconciliation to convert its financial information from an accrual basis to a cash basis.

The Form 9 submissions prepared by the Academy for June 2010, December 2009 and June 2009 and December 2008 were not appropriately reconciled to the books and records of the Academy and therefore are not deemed to contain accurate data for use in the preparation of the MOE calculation.

Recommendation

The Academy should prepare a reconciliation to convert its accrual basis financial information to a cash basis and utilize such information in preparing its Form 9 submissions.

FINDING 2011-1

Federal Program Information

Applicable to the following major programs and CFDA/Contract Number:

U.S. Department of Education	
Passed Through: Indiana Department of Education	
Title I Cluster	
Title I A – Grants to Educational	84.010
Title I ARRA	84.389

Condition

The Academy did not appropriately reconcile the amounts used in the Form 9 submission to the books and records from which the audited financial statements were prepared. Therefore, the Form 9 submissions used by the State of Indiana for the Maintenance of Effort (MOE) calculation for 2011 were not reliable.

Criteria or specific requirement (including statutory, regulatory, or other citations)

OMB Circular A-133 subpart C indicates that it is the auditee's responsibility to comply with laws, regulations, and provisions of contracts or grant agreements related to each of its Federal programs.

Effect

The MOE calculation prepared by the State of Indiana was based on information included in the Form 9 that was not appropriately reconciled to the books and records from which the audited financial statements were prepared.

Causes

The MOE calculation was prepared based upon data that was not appropriately reconciled to the books and records from which the audited financial statements were prepared.

Context

The Maintenance of Effort Calculation is a requirement of OMB Circular A-133 for the Title I grant. The MOE is a calculation based on preceding year's expenditures for a school. The State of Indiana performs the actual MOE calculation based upon data submitted by the Academy. For the year ended 6/30/11, the State of Indiana used 2008 and 2009 expenditure information; expenditures as of 6/30/09 must be 90% or more of expenditures as of 6/30/08.

The State of Indiana requires the Academy to submit a biannual state prescribed Form 9 report. This report shows both federal and state revenues and expenditures. The Form 9 is presented on a cash basis and the schools books and records are maintained on an accrual

basis; therefore, the Academy must perform a reconciliation to convert its financial information from an accrual basis to a cash basis.

The Form 9 submissions prepared by the Academy for June 2010, December 2009 and June 2009 and December 2008 were not appropriately reconciled to the books and records of the Academy and therefore are not deemed to contain accurate data for use in the preparation of the MOE calculation.

Recommendation

The Academy should prepare a reconciliation to convert its accrual basis financial information to a cash basis and utilize such information in preparing its Form 9 submissions.

ANDREW J. BROWN ACADEMY

SUMMARY OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS YEARS ENDED JUNE 30, 2012 AND 2011

I. FINANCIAL STATEMENT FINDINGS

FINDING 2010-1

Concerns over internal controls over financial transactions and reporting/financial report modifications related to the following:

1. Oversight of Management Contact
2. Financial Reporting Concerns for Andrew J. Brown Academy
3. General Ledger Concerns for Andrew J. Brown Academy (As maintained by NHA)
4. Cash Receipt Concerns for Andrew J. Brown Academy
5. Disclaimer of Opinion Over Receipts and Disbursements
6. Federal Awards Concerns
7. Disclaimer of Opinion Over the Compliance of the Major Programs

Status of Finding:

Finding #1 — Finding has been remediated

Finding #2 — As described in finding #2, Form 9 submissions to the State were incorrect prior to December 2010. This has led to the MOE calculations for 2012 and 2011, which are based on Form 9 submissions prior to December 2010, being unreliable.

Finding #3 — Finding has been remediated

Finding #4 — Finding has been remediated

Finding #5 — Finding has been remediated

Finding #6 — Finding has been remediated

ANDREW J. BROWN ACADEMY

SUMMARY OF PRIOR-YEAR FINDINGS AND QUESTIONED COSTS YEARS ENDED JUNE 30, 2012 AND 2011

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2010-2

Lack of Grantee Oversight of Federal Awards/Modification of Opinion over Compliance related to the following:

1. Federal Award Concerns
2. Disclaimer of Opinion Over the Compliance of the Major Programs

Status of Finding:

Finding #1 — Finding has been remediated

Finding #2 — Finding has been remediated

ANDREW J. BROWN ACADEMY

CORRECTIVE ACTION PLAN FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

Based on Finding 2012-1 and 2011-1, the Academy's applicable Business Analyst will reconcile the cash-basis information utilized to prepare the biannual Form 9 submissions to the State of Indiana to the accrual-basis information contained in books and records from which the audited financial statements are prepared. Beginning with the fiscal year ended June 30, 2011 (biannual Form 9 submissions starting in December 2010) the Academy prepared a reconciliation of the Form 9 information to the books and records of the Academy.

ANDREW J. BROWN ACADEMY

OTHER REPORTS YEARS ENDED JUNE 30, 2012 AND 2011

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

Supplemental Audit Report of Andrew J. Brown Academy

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