B43118

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

January 13, 2014

Charter School Board
Drexel Foundation for Educational Excellence, Inc.
d/b/a Thea Bowman Leadership Academy
3401 W. 5th Avenue
Gary, IN 46406

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2012 to June 30, 2013. 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 Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy, as of June 30, 2013, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership 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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a THEA BOWMAN LEADERSHIP ACADEMY

Financial Statements and Federal Single Audit Report

June 30, 2013

Fitzgerald Isaac LLC
Certified Public Accountants

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

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Fitzgerald Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy**, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

9245 North Meridian Street, Suite 302
Indianapolis, Indiana 46260
317-844-8300 Fax 317-848-6555
www.fitzgeraldisaac.net

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drexel Foundation for Educational Excellence, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013 on our consideration of Drexel Foundation for Educational Excellence, Inc.'s internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Drexel Foundation for Educational Excellence, Inc.'s internal control over financial reporting and compliance.

Haywood / Sanders

Indianapolis, IN
October 22, 2013

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Statement of Financial Position

Assets	June 30, 2013
Current assets:	
Cash	$ 1,482,320
Cash - restricted for debt service	183,750
Accounts receivable:	
Grants	990,944
Other	609
Certificate of deposit	524,038
Prepaid expenses	14,323
Total current assets	3,195,984
Property and equipment:	
Land	859,886
Structures and improvements	16,842,714
Equipment	2,542,944
Furniture and fixtures	781,904
Less: accumulated depreciation	(4,552,717)
Property and equipment, net	16,474,731
Other assets:	
Cash restricted for debt service	1,505,075
Debt issuance costs, net of amortization	756,620
	2,261,695
	$ 21,932,410

Liabilities and Net Assets	
Current liabilities:	
Accounts payable and accrued expenses	$ 839,169
Current portion of long-term debt	251,871
Total current liabilities	1,091,040
Long-term debt	18,460,000
Total liabilities	19,551,040
Unrestricted net assets	2,381,370
	$ 21,932,410

See accompanying notes to financial statements.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Statement of Activities

Revenue, Gains and Support	Year Ended June 30, 2013
State education support	$ 9,126,990
Grant revenue:	
State	384,635
Federal	2,540,387
Student fees	220,311
Contributions	10,771
Interest income	1,505
Other	53,605
Total revenue, gains and support	12,338,204
Expenses	
Program services	10,433,985
Management and general	2,919,322
Total expenses	13,353,307
Decrease in net assets before non-operating revenue	(1,015,103)
Non-Operating Revenue	
Gain due to changes in legislative funding	689,600
Decrease in net assets	(325,503)
Net assets, beginning of year	2,706,873
Net assets, end of year	$ 2,381,370

See accompanying notes to financial statements.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Statement of Cash Flows

Operating Activities	Year Ended June 30, 2013
Change in net assets	$ (325,503)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation	934,675
Amortization	28,578
Gain due to change in legislative funding	(689,600)
Change in:	
Accounts receivable	(335,255)
Prepaid expenses	194,135
Accounts payable and accrued expenses	(774,023)
Net cash used by operating activities	(966,993)
Investing Activities	
Acquisition of property and equipment	(130,021)
Net cash used by investing activities	(130,021)
Financing Activities	
Principal repayments of long-term debt	(239,283)
Increase in cash held for debt service	(11,250)
Net cash used by financing activities	(250,533)
Net decrease in cash	(1,347,547)
Cash, beginning of year	2,829,867
Cash, end of year	$ 1,482,320
Supplemental disclosures:	
Cash paid for interest expense	$ 1,279,775

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

General

Drexel Foundation for Educational Excellence, Inc. d/b/a Thea Bowman Leadership Academy (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. The School has entered into a service agreement with American Quality Schools Corporation, an organization incorporated in the State of Illinois, to provide curriculum, managerial, administrative, and financial services to the School.

Accounting Estimates

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

Accounts Receivable

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

Revenue Recognition

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in equal monthly installments in January through December following the start of the academic school year. Revenue is recognized in the school year in which educational services are rendered. See Note 2 regarding legislative changes affecting revenue recognition.

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

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

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

Buildings and improvements	15 to 39 years
Equipment	3 to 7 years
Furniture and fixtures	7 years

Taxes on Income

Drexel Foundation for Educational Excellence, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2013, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending 2012, 2011, and 2010 are open to audit for both federal and state purposes.

(1) Summary of Significant Accounting Policies, Continued

Cash Equivalent

The School considers all short-term debt securities purchased with an original maturity of three months or less to be cash equivalents.

Debt Issuance Costs

Costs associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bonds have been deferred and are being amortized over the term of the bond (30 years) using the straight-line method.

Subsequent Events

The School evaluated subsequent events through October 22, 2013, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

(2) Legislative Funding Changes

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in equal monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the School under prior legislation for the period July to December 2013 will no longer be paid.

(2) Legislative Funding Changes, Continued

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School has applied for and received repayment of its indebtedness under these obligations as of June 30, 2013.

The effect of these legislative amendments has been reflected in the accompanying statement of activities as a gain due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loans	$4,507,506
Repayment of accrued interest on Common School Fund loans	745,010
	5,252,516
Elimination of School funding	(4,562,916)
	$ 689,600

(3) Long-Term Debt

Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2009 that are collateralized by the structures and improvements. The loan principal is payable in annual principal installments that vary between $230,000 and $2,890,000 through October 2039. Interest payments are made semi-annually at rates that range from 6% to 7% in accordance with the bond agreement.	$18,705,000
Non-interest bearing note payable to Food Service Professionals, Inc. that is due in monthly installments of $794, with the final payment due in May 2014. The note is collateralized by specific items of equipment.	6,871
	18,711,871
Less: current portion	(251,871)
	$18,460,000

(3) Long-Term Debt, Continued

The Indiana Finance Authority Educational Facilities Revenue Bond obligation contains certain covenants that limit the School's ability to create liens, incur indebtedness or guarantees, dispose of assets, or change the nature of the business. The bond obligation also contains financial maintenance covenants establishing a minimum debt service coverage ratio. The School has not met the minimum debt service coverage ratio in either of the years ended June 30, 2013 or 2012.

Future maturities of long-term debt are as follows:

Year Ended June 30:	
2014	$ 251,871
2015	260,000
2016	275,000
2017	295,000
2018	310,000
Thereafter	17,320,000
	$18,711,871

(4) Leases

The School conducts its elementary school operations from facilities that are leased under a noncancelable lease that expires in June 2017. The lease provides for an initial minimum annual rental payment of $115,000, which increases by three percent each year through June 2017. The minimum annual rental payment is based on 300 students. There is an additional monthly charge for each student in excess of 300.

Future minimum rental payments required under this lease in years ending June 30, are as follows:

Year Ended June 30:	
2014	$118,450
2015	122,044
2016	125,664
2017	129,434

(5) Retirement Plan

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. INPRS acts as a common administrative and investment agent for units of state and local government in Indiana. Contribution requirements are determined by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 8.75% of compensation for other employees to PERF. Substantially all full-time employees are eligible to participate. Participants are required to contribute 3% of compensation to an annuity saving account that can be withdrawn when the participant terminates employment. The School voluntarily makes this contribution on behalf of the participants. Retirement plan expense was $609,062 for the year ended June 30, 2013.

(6) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. The charter remains in effect until June 30, 2016, and is renewable thereafter by mutual consent. Payments under this agreement were $99,868 for the year ended June 30, 2013.

The School has contracted with American Quality Schools Corporation, a not-for-profit organization incorporated in the State of Illinois, to provide management, administrative and educational programming services. Under the terms of the agreement, the School has agreed to pay an amount equal to 7% of revenues, as defined, for such services. The contract commenced July 1, 2010 and expires June 30, 2015. Management fee expense under this contract was $343,042 for the year ended June 30, 2013. No management fees have been assessed with regard to the elimination of school funding as described in Note 2.

(7) Risks and Uncertainties

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2013, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits are maintained at J.P. Morgan Chase Bank and BMO Harris Bank and frequently exceed the FDIC insurance limit.

(8) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the year ended June 30, 2013:

	Program Services	Management and General
Salaries and wages	$5,695,314	550,651
Amortization	-	28,578
Employee benefits	978,214	92,354
Books and supplies	398,410	-
Depreciation	934,676	-
Education	329,816	-
Food service expense	700,127	-
Insurance	540,657	92,892
Interest	-	1,460,075
Management fees	-	442,911
Miscellaneous	-	32,672
Office expense	-	136,225
Professional fees	46,344	82,964
Rent	271,160	-
Repairs and maintenance	539,267	-
	$10,433,985	2,919,322

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010		$ 931,015
Charter Schools Program	84.282	A58-1-11RR-003	533,199
Special Educations Cluster			
Special Education - Grants to States	84.027		171,738
Improving Teacher Quality State Grants	84.367		172,129
ARRA - Education Jobs Fund	84.410		101,487
Total federal awards expended			$ 1,909,568

See accompanying Independent Auditor's Report.
See accompanying notes to this schedule.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Drexel Foundation for Educational Excellence, Inc. (the "School") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

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

Fitzgerald Isaac LLC
Certified Public Accountants

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

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.

We have audited, in accordance with the 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, the financial statements of **Drexel Foundation for Educational Excellence, Inc., d/b/a Thea Bowman Leadership Academy** (the "School"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

9245 North Meridian Street, Suite 302
Indianapolis, Indiana 46260
317-844-8300 Fax 317-848-6555
www.fitzgeraldisaac.net

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hayward / Isaac LLC

Indianapolis, IN
October 22, 2013

Fitzgerald Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
Drexel Foundation for Educational Excellence, Inc.

Report on Compliance for Each Major Federal Program

We have audited **Drexel Foundation for Educational Excellence, Inc., d/b/a Thea Bowman Leadership Academy**'s (the "School") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2013. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

9245 North Meridian Street, Suite 302
Indianapolis, Indiana 46260
317-844-8300 Fax 317-848-6555
www.fitzgeraldisaac.net

Opinion on Each Major Federal Program

In our opinion, Drexel Foundation for Educational Excellence, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Drexel Foundation for Educational Excellence, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Somerset / Isaac LLC

Indianapolis, IN
October 22, 2013

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

I. Summary of Auditor's Results, Continued

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Title I, Part A Cluster
84.010	Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee:	No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

FEDERAL AWARD FINDINGS

FINDING 2012-1 FINANCIAL REPORTING

Federal Agency:	U.S. Department of Education
Pass-Through Agency:	Indiana Department of Education
Federal Program:	Title I, Part A Cluster
CFDA Number:	84.010 and 84.389
Award Year:	FY 2009-10, and FY 2010-11

Condition
The auditor determined that grant expenditures in the amount of $64,690 were not reported on the Schedule of Expenditures of Federal Awards (SEFA) in the appropriate year.

Recommendation
The auditor recommended that costs be charged to government programs at the time of original general ledger entry and not done via journal entry allocations.

Current Status
The recommendation was adopted. No similar finding was noted in the 2013 audit.

DREXEL FOUNDATION FOR EDUCATIONAL EXCELLENCE, INC.
d/b/a
THEA BOWMAN LEADERSHIP ACADEMY

Other Reports

Year Ended June 30, 2013

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

Supplemental Audit Report of Drexel Foundation for Educational Excellence, Inc.

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