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January 13, 2014

Charter School Board
LEAD College Preparatory, Inc.
6060 Miller Avenue
Gary, IN 46403

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Fitzgerald/Isaac LLC, Independent Public Accountants, for the period July 1, 2011 to June 30, 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 LEAD College Preparatory, Inc., as of June 30, 2012 and 2013, 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 Pages 26 and 27 that contain the status of three prior audit findings.

The Financial Statements and Independent Auditors' Report are filed in our office as a matter of public record.

State Board of Accounts

LEAD COLLEGE PREPARATORY, INC.

Financial Statements and Federal Single Audit Report

June 30, 2013 and 2012

LEAD COLLEGE PREPARATORY, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Financial Statements:	
Statement of Net Assets in Liquidation	4
Statement of Financial Position	5
Statement of Changes in Net Assets in Liquidation	6
Statements of Activities	7
Statements of Cash Flows	8
Notes to Financial Statements	9-16
Supplementary Information:	
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
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 <i>Government</i> <i>Auditing Standards</i>	19-20
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	21-23
Schedule of Findings and Questioned Costs	24-25
Summary Schedule of Prior Audit Findings	26-27
Exit Conference	28

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
LEAD College Preparatory, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **LEAD College Preparatory, Inc.**, which comprise the statement of net assets in liquidation as of June 30, 2013, the statement of financial position as of June 30, 2012, the statement of changes in net assets in liquidation as of June 30, 2013, and the related statements of activities and cash flows for the years ended June 30, 2013 and 2012, 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.

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 LEAD College Preparatory, Inc. as of June 30, 2012 and net assets in liquidation as of June 30, 2013, the changes in its net assets and its cash flows for the years ended June 30, 2013 and 2012, and the changes in net assets in liquidation as of June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Ceasing of Operations

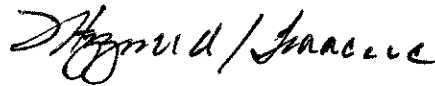
As discussed in Note 2 to the financial statements, the School's charter sponsor did not renew the School's charter upon expiration as of June 30, 2013, resulting in the Board of Directors adopting a plan of dissolution to become effective with the conclusion of all financial and regulatory obligations. As a result, the School has changed its basis of accounting from the going concern basis to the liquidation basis.

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, November 12, 2013, on our consideration of LEAD College Preparatory, 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 of LEAD College Preparatory, Inc.'s internal control over financial reporting and compliance.



Indianapolis, IN
November 12, 2013

LEAD COLLEGE PREPARATORY, INC.

Statement of Net Assets in Liquidation

<u>Assets</u>	<u>June 30, 2013</u>
Cash	\$ 80,843
Grants receivable	98,544
Total assets	<u>179,387</u>
<u>Liabilities</u>	
Accounts payable and accrued expenses:	52,852
Refundable advances	15,978
Total liabilities	<u>68,830</u>
Unrestricted net assets	<u>\$ 110,557</u>

See accompanying notes to financial statements.

LEAD COLLEGE PREPARATORY, INC.

Statement of Financial Position

<u>Assets</u>	<u>June 30, 2012</u>
Current assets:	
Cash and cash equivalents	\$ 240,685
Accounts receivable:	
State education support	1,365,855
Grants	235,963
Prepaid expenses	28,298
Total current assets	<u>1,870,801</u>
Property and equipment:	
Leasehold improvements	146,184
Furniture, fixtures, and equipment	569,824
Textbooks	191,971
Less: accumulated depreciation	(416,153)
Property and equipment, net	<u>491,826</u>
	<u>\$ 2,362,627</u>
 <u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 341,270
Refundable advances	15,537
Total current liabilities	<u>356,807</u>
Accrued interest on Common School Fund loans	180,778
Long-term debt	1,772,169
Total liabilities	<u>2,309,754</u>
Unrestricted net assets	<u>52,873</u>
	<u>\$ 2,362,627</u>

See accompanying notes to financial statements.

LEAD COLLEGE PREPARATORY, INC.

Statement of Changes in Net Assets in Liquidation

	<u>As of</u> <u>June 30, 2013</u>
Net assets as of June 30, 2013 on going concern basis	\$ 595,677
Increases (decreases) in net assets:	
Adjustment of property and equipment to net realizable value	(476,352)
Adjustment of prepaid expenses to net realizable value	<u>(8,768)</u>
Total	<u>(485,120)</u>
Net assets as of June 30, 2013 on liquidation basis	<u>\$ 110,557</u>

See accompanying notes to financial statements.

LEAD COLLEGE PREPARATORY, INC.

Statements of Activities

	Year Ended June 30	
	2013	2012
<u>Revenue, Gains and Support</u>		
State education support	\$ 2,279,842	2,716,558
Grant revenue	681,137	957,640
Student fees	11,399	17,257
Contributions	1,196	80,480
Other	6,038	18,470
Total revenue, gains and support	<u>2,979,612</u>	<u>3,790,405</u>
<u>Expenses</u>		
Program services:		
Educational instruction	1,742,728	2,199,062
Education support	790,982	833,596
Administrative	794,628	859,590
Total expenses	<u>3,328,338</u>	<u>3,892,248</u>
Decrease in net assets before non-operating revenue	(348,726)	(101,843)
<u>Non-Operating Revenue</u>		
Gain due to changes in legislative funding	<u>891,530</u>	<u>-</u>
Increase (decrease) in net assets	542,804	(101,843)
Net assets, beginning of year	<u>52,873</u>	<u>154,716</u>
Net assets, end of year	<u>\$ 595,677</u>	<u>52,873</u>

See accompanying notes to financial statements.

LEAD COLLEGE PREPARATORY, INC.

Statements of Cash Flows

	<u>Year Ended June 30</u>	
	<u>2013</u>	<u>2012</u>
<u>Operating Activities</u>		
Change in net assets	\$ 542,804	(101,843)
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	(891,530)	-
Depreciation	180,984	120,668
Change in:		
Accounts receivable	370,967	20,682
Prepaid expenses	19,530	(24,521)
Accounts payable and accrued expenses	(217,528)	297,741
Refundable advances	441	(120,969)
Net cash provided by operating activities	<u>5,668</u>	<u>191,758</u>
<u>Investing Activities</u>		
Purchase of property and equipment	<u>(165,510)</u>	<u>(300,573)</u>
Net cash used by investing activities	<u>(165,510)</u>	<u>(300,573)</u>
Net decrease in cash	(159,842)	(108,815)
Cash and cash equivalents, beginning of year	<u>240,685</u>	<u>349,500</u>
Cash and cash equivalents, end of year	<u>\$ 80,843</u>	<u>240,685</u>
Supplementary information:		
Cash payments for interest expense	\$ -	201

See accompanying notes to financial statements.

LEAD COLLEGE PREPARATORY, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

General

LEAD College Preparatory, Inc. (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 commenced operations with the 2007-08 academic school year. The School's sponsor did not renew the School's charter upon expiration as June 30, 2013. As such, the School ceased all normal operations as a charter school as of that date.

Accounting Estimates

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

Revenue Recognition

Revenues 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 year in which the educational services are rendered. See Note 3 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.

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.

LEAD COLLEGE PREPARATORY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

LEAD College Preparatory, 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 years ended June 30, 2013 and 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

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

Property and Equipment

Prior to June 30, 2013, purchases of these assets and expenditures that materially increased value or extended useful lives were capitalized and 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 were charged to expense as incurred.

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

Leasehold improvements.....	40 years
Furniture, fixtures, and equipment	3 years
Textbooks	5 years

Effective June 30, 2013, property and equipment was restated to reflect estimated net realizable value. Net realizable value was determined to be zero based on the subsequent donation of all owned property and equipment to Gary Community School Corporation.

LEAD COLLEGE PREPARATORY, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through November 12, 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) Basis of Accounting

In May 2013, the School received notification from its charter sponsor, Ball State University, that it would not be renewing the School's charter effective with the expiration on June 30, 2013. The School was unable to obtain another charter sponsor and the Board of Directors adopted a plan of dissolution of the corporation to be effective with the conclusion of all financial and regulatory obligations. As a result, the School changed its basis of accounting from the going concern basis to the liquidation basis, in which assets are carried at estimated net realizable value and liabilities are recorded at the amount of cash expected to be paid. The School has donated all items of property and equipment, and expects to pay or settle any obligations. Any resources remaining are to be returned to the State of Indiana.

LEAD COLLEGE PREPARATORY, INC.

Notes to Financial Statements

(3) 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 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, charter 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.

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.....	\$1,772,169
Repayment of accrued interest on Common School Fund loans....	<u>251,668</u>
	2,023,837
Elimination of School funding	<u>(1,132,307)</u>
	<u>\$ 891,530</u>

(4) Accounts Receivable

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

Tuition support	\$1,306,276
Special education grant	<u>59,579</u>
	<u>\$1,365,855</u>

LEAD COLLEGE PREPARATORY, INC.

Notes to Financial Statements

(4) Accounts Receivable, Continued

Tuition support is determined by state law and is dependent upon the geographic location of the school and is indexed to the poverty data of the enrolled students and other factors. The payment schedule is likewise determined by state law with tuition support payable in equal monthly installments in the calendar year following the start of the academic school year. See Note 3 regarding legislative funding changes.

(5) Long-Term Debt

Long-term debt at June 30, 2012 was comprised of six notes payable to the Indiana Common School Fund, each of which required semi-annual payments of principal and interest over a period of 20 years with interest at 4% per annum. In 2013 and 2012, the loans were under a moratorium on loan payments, but interest continued to accrue. In 2013, the outstanding loans and all accrued interest were repaid with funding appropriated from the State of Indiana general fund (see Note 3).

(6) Leases

The School leases its school facility, modular classrooms, and items of equipment under operating leases. Total expense under these operating leases for 2013 and 2012 was \$150,430 and \$305,646, respectively. Minimum future rental payments as of June 30, 2013 for all operating leases with initial, noncancellable lease terms in excess of one year are as follows:

<u>Year ending June 30:</u>	
2014	\$127,119
2015	24,119
2016	2,010

LEAD COLLEGE PREPARATORY, INC.

Notes to Financial Statements

(7) Commitments

The School operated under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercised certain oversight responsibilities. Under this charter, the School agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support receipts. Expense under this charter agreement was \$32,115 and \$85,164 for the years ended June 30, 2013 and 2012, respectively. The charter was in effect until June 30, 2013.

The School 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 agreed to pay an amount equal to 7% of revenues, as defined, for such services. Payments under this contract were \$192,576 and \$209,027 for the years ended June 30, 2013 and 2012, respectively.

(8) Refundable Advances

The School has been awarded grants from the Indiana Department of Education and other organizations to support educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2013 and 2012, the School had refundable grant advances in excess of expenditures of \$15,978 and \$15,537, respectively.

(9) 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. Contribution requirements of plan members are established by the INPRS Board. For the years ended June 30, 2013 and 2012, the School contributed 7.5% of compensation for teaching faculty to TRF. The contribution to PERF for other employees was 6.5% of compensation until December 31, 2012, and 8% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was \$106,210 and \$111,411 for the years ended June 30, 2013 and 2012, respectively.

LEAD COLLEGE PREPARATORY, INC.

Notes to Financial Statements

(10) Functional Expense Reporting

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and services benefited. Following is a summary of expenses comprising each program and service for the years ended June 30, 2013 and 2012:

	<u>2013</u>		
	<u>Educational Instruction</u>	<u>Education Support</u>	<u>Admini- strative</u>
Salaries and wages.....	\$947,792	106,448	280,134
Employee benefits	224,546	24,860	58,236
Professional services	24,781	56,201	91,989
Staff development and recruitment.....	31,781	-	-
Authorizer oversight fee	-	-	32,115
Management fee	-	-	192,576
Food costs.....	-	184,930	-
Equipment	35,134	-	-
Repairs and maintenance.....	-	45,417	-
Classroom, kitchen and office supplies.....	58,006	16,114	21,617
Occupancy	239,704	-	-
Transportation	-	319,582	-
Depreciation	180,984	-	-
Interest	-	-	70,887
Insurance	-	-	13,974
Other	-	<u>37,430</u>	<u>33,100</u>
	<u>\$1,742,728</u>	<u>790,982</u>	<u>794,628</u>

LEAD COLLEGE PREPARATORY, INC.

Notes to Financial Statements

(10) Functional Expense Reporting, Continued

	<u>2012</u>		
	<u>Educational</u>	<u>Education</u>	<u>Admini-</u>
	<u>Instruction</u>	<u>Support</u>	<u>strative</u>
Salaries and wages.....	\$1,192,699	68,929	295,966
Employee benefits	241,220	11,509	66,711
Professional services	125,127	21,759	69,335
Staff development and recruitment.....	33,042	-	-
Authorizer oversight fee.....	-	-	85,164
Management fee	-	-	209,027
Food costs.....	-	247,807	-
Equipment	44,788	-	-
Repairs and maintenance.....	-	26,011	-
Classroom, kitchen and office supplies.....	55,040	15,492	27,364
Occupancy	386,477	-	-
Transportation	-	407,111	-
Depreciation	120,669	-	-
Interest	-	-	71,084
Insurance	-	-	11,129
Other	-	<u>34,978</u>	<u>23,810</u>
	<u>\$2,199,062</u>	<u>833,596</u>	<u>859,590</u>

LEAD COLLEGE PREPARATORY, INC.

Schedule of Expenditures of Federal Awards

Years Ended June 30, 2013 and 2012

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>	
			<u>2013</u>	<u>2012</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass-through Indiana Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553		\$ 17,954	67,563
National School Lunch Program	10.555		54,307	117,519
Total for cluster			<u>72,261</u>	<u>185,082</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass-through Indiana Department of Education				
Title I, Part A Cluster				
Grants to Local Educational Agencies	84.010	13-9635/12-9635	421,501	502,311
ARRA--Grants to Local Educational Agencies	84.389		-	16,121
Special Education Cluster				
Special Education--Grants to States	84.027	14212-532-PN01	52,534	15,151
Charter Schools Program	84.282		-	106,612
Improving Teacher Quality State Grants	84.367		94,026	24,406
ARRA--Education Jobs Fund	84.410		8,207	78,024
Total for federal grantor agency			<u>576,268</u>	<u>742,625</u>
Total federal awards expended			<u>\$ 648,529</u>	<u>927,707</u>

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

LEAD COLLEGE PREPARATORY, INC.

Notes to the Schedule of Expenditures of Federal Awards

Years Ended June 30, 2013 and 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of LEAD College Preparatory, Inc. (the "School") under programs of the federal government for the years ended June 30, 2013 and 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

(2) Summary of Significant Accounting Policies

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

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
LEAD College Preparatory, 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 **LEAD College Preparatory, Inc.** (the "School"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 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.

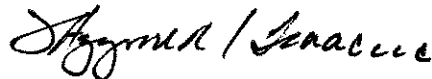
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Indianapolis, IN
November 12, 2013

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
LEAD College Preparatory, Inc.

Report on Compliance for Each Major Federal Program

We have audited **LEAD College Preparatory, Inc.**'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 years ended June 30, 2013 and 2012. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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.

Opinion on Each Major Federal Program

In our opinion, LEAD College Preparatory, 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 and 2012.


Report on Internal Control Over Compliance

Management of LEAD College Preparatory, 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.

A handwritten signature in black ink, appearing to read "A. J. ... / ...".

Indianapolis, IN
November 12, 2013

LEAD COLLEGE PREPARATORY, INC.

Schedule of Findings and Questioned Costs

Years Ended June 30, 2013 and 2012

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

LEAD COLLEGE PREPARATORY, INC.

Schedule of Findings and Questioned Costs

Years Ended June 30, 2013 and 2012

I. Summary of Auditor's Results, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Cluster
84.389	Grants to Local Educational Agencies ARRA 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.

LEAD COLLEGE PREPARATORY, INC.

Summary Schedule of Prior Audit Findings

Years Ended June 30, 2013 and 2012

FINDING NO. 2011-1 CASH MANAGEMENT

Federal Agency: U.S. Department of Education
Pass-Through Entity: Indiana Department of Education
Federal Program: Grants to Local Educational Agencies
ARRA Grants to Local Educational Agencies
CFDA Number: 84.010 and 84.389
Year: FY 2009-10

Condition

This finding was a material weakness stating that cash balances exceeded immediate needs during the entire program period.

Recommendation

The auditor recommended the establishment of controls to ensure that cash balances are reviewed, monitored and considered prior to submitting claims for reimbursement.

Current Status

The recommendation was adopted. The School no longer requests cash in advance of the disbursement of federal funds. No similar finding was noted in the audits of the 2013 and 2012 fiscal years.

FINDING NO. 2011-2 CONTROLS AND COMPLIANCE RELATED TO REPORTING

Federal Agency: U.S. Department of Education
Pass-Through Entity: Indiana Department of Education
Federal Program: Grants to Local Educational Agencies
CFDA Number: 84.010
Year: FY 2009-10 and 2010-11

Condition

This finding was a material weakness stating that controls had not been established to verify that required reports were submitted timely and accurately. After the accounting company prepared the reports, they were submitted to the respective pass through agency without being reviewed by the Superintendent, or the Program Administrator, or Treasurer who are responsible for grant oversight for these programs.

LEAD COLLEGE PREPARATORY, INC.

Summary Schedule of Prior Audit Findings

Years Ended June 30, 2013 and 2012

Recommendation

The auditor recommended that the School establish controls for the review of financial reports by another individual who is familiar with the accounting records and reporting requirements of the Indiana Department of Education. The auditor also recommended that the School make sure all required reports are submitted as required by the Indiana Department of Education.

Current Status

No similar finding was noted in the audits of the 2013 and 2012 fiscal years. All financial reports were submitted as required.

LEAD COLLEGE PREPARATORY, INC.

Exit Conference

Years Ended June 30, 2013 and 2012

The contents of this report were discussed on December 11, 2013 with Michael Suggs (Board Treasurer), and Trent McCain (Corporate Attorney).