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STATE OF INDIANA
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February 28, 2014

Charter School Board
21st Century Charter School at Fountain Square, Inc. d/b/a
University Heights Preparatory Academy
3919 Madison Avenue
Indianapolis, IN 46227

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 21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory 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 21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory 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

21ST CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.

d/b/a

UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Financial Statements and Federal Single Audit Report

June 30, 2013 and 2012

Fitzgerald Isaac LLC
Certified Public Accountants

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

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Fitzgerald Isaac LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory Academy**, 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.

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.

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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 21st Century Charter School at Fountain Square, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years 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 December 31, 2013 on our consideration of 21st Century Charter School at Fountain Square, 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 21st Century Charter School at Fountain Square, Inc.'s internal control over financial reporting and compliance.

Fitzgerald Isaac LLC

Indianapolis, IN
December 31, 2013

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Statements of Financial Position

	June 30	
Assets	2013	2012
Current assets:		
Cash	$ 340,079	87,136
Accounts receivable:		
State education support	-	1,005,212
Grants	100,723	29,239
Other	1,974	25,690
Prepaid expense	20,723	22,333
Total current assets	463,499	1,169,610
Property and equipment:		
Textbooks	29,964	-
Leasehold improvements	46,214	46,214
Computers and technology	571,136	535,065
Furniture and equipment	271,478	272,997
Vehicle	12,450	12,450
Less: accumulated depreciation	(784,798)	(633,173)
Property and equipment, net	146,444	233,553
	$ 609,943	1,403,163
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 135,924	136,411
Due to GEO Foundation	-	210,138
Note payable	150,000	75,000
Current portion of long-term debt	-	19,991
Refundable advances	4,080	7,147
Total current liabilities	290,004	448,687
Accrued interest on Common School Fund loans	-	150,624
Long-term debt	-	1,261,872
Total liabilities	290,004	1,861,183
Unrestricted net assets (deficiency)	319,939	(458,020)
	$ 609,943	1,403,163

See accompanying notes to financial statements.

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Statements of Activities

	Year Ended June 30	
Revenue, Gains and Support	2013	2012
State education support	$ 1,871,004	2,010,423
Grant revenue	1,379,732	644,968
Student fees	3,118	5,460
Contributions:		
Cash	22,600	-
In-kind	210,138	422,520
Other income	5,233	33,827
Total revenue, gains, and support	3,491,825	3,117,198
Expenses		
Program services:		
Educational instruction	1,897,315	1,827,151
Education support	411,284	400,667
Administrative	887,563	625,123
Total expenses	3,196,162	2,852,941
Increase in net assets before non-operating revenue	295,663	264,257
Non-Operating Revenue		
Gain due to changes in legislative funding	482,296	-
Increase in net assets	777,959	264,257
Net assets (deficiency), beginning of year	(458,020)	(722,277)
Net assets (deficiency), end of year	$ 319,939	(458,020)

See accompanying notes to financial statements.

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Statements of Cash Flows

		Year Ended June 30	
Operating Activities		2013	2012
Change in net assets	$	777,959	264,257
Adjustments to reconcile change in net assets to net cash from operating activities:			
Gain due to changes in legislative funding		(482,296)	-
Depreciation		151,625	115,629
Change in:			
Accounts receivable		21,880	18,450
Prepaid expense		1,610	10,328
Accounts payable and accrued expenses		48,253	80,358
Due to GEO Foundation		(210,138)	(259,144)
Refundable advances		(3,067)	(69,440)
Net cash provided by operating activities		305,826	160,438
Investing Activities			
Purchases of property and equipment		(64,516)	(71,186)
Net cash used by investing activities		(64,516)	(71,186)
Financing Activities			
Principal repayments of long-term obligations		(63,367)	(20,187)
Net receipts (repayments) under line of credit		75,000	(50,384)
Net cash provided (used) by financing activities		11,633	(70,571)
Net increase in cash		252,943	18,681
Cash, beginning of year		87,136	68,455
Cash, end of year	$	340,079	87,136
Supplemental disclosures:			
Cash payments for interest expense	$	4,646	8,390

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

General

21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory 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.

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.

Subsequent Events

The School evaluated subsequent events through December 31, 2013, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required. See Note 6 for a description of subsequent events affecting the financial statements.

(1) Summary of Significant Accounting Policies, Continued

Revenue Recognition

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

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

Property and Equipment

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

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

Textbooks	4 years
Leasehold improvements	5 to 9 years
Computers and technology	3 years
Furniture and equipment	5 years
Vehicle	5 years

Taxes on Income

21st Century Charter School at Fountain Square, 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.

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income, Continued

Professional accounting 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.

(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.

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.

(2) Legislative Funding Changes, Continued

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	$1,218,495
Repayment of accrued interest on Common School Fund loans	199,364
	1,417,859
Elimination of School funding	(935,563)
	$ 482,296

(3) Accounts Receivable

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

Tuition support	$ 944,367
Special education grant	60,845
Total	$1,005,212

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. In 2013 and 2012, tuition support was payable in equal monthly installments in the calendar year following the start of the academic school year. Effective July 1, 2013, tuition support will be paid in monthly installments that coincide with the School's fiscal year (see Note 2).

(4) Note Payable

The School has a $150,000 note payable with Old National Bank to provide short-term financing. The loan requires monthly payments of interest only for a period of twelve months, followed by twelve monthly payments of principal and interest. The loan is secured by all business assets and guaranteed by certain members of the Board of Directors, carries an interest rate of 0.5% below the lender's prime rate, and matures on July 2, 2014.

(5) Long-Term Debt

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

Notes payable to Indiana Common School Fund	$1,218,495
Note payable to Old National Bank	63,368
	1,281,863
Less current maturities	(19,991)
	$1,261,872

The notes payable to the Indiana Common School Fund were comprised of multiple notes, 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 2).

The note with Old National Bank was payable in monthly installments of $1,919 including interest of 5.6% per annum through June 2015. On July 2, 2012, the School negotiated another $150,000 loan from the same institution and repaid the existing loan (see Note 4).

(6) Leases

The School leases its school buildings as well as certain items of office equipment under operating leases for a term of one year. Expense under operating leases for the years ended June 30, 2013 and 2012 was $240,696 and $267,846, respectively.

In April 2013, the School executed a sublease agreement with the University of Indianapolis, which became effective August 1, 2013. The sublease provides for monthly rental payments of $25,000 through July 2015.

(7) Retirement Plans

Retirement benefits for school employees are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are multiple-employer defined benefit retirement plans governed by the State of Indiana and administered by the Indiana Public Retirement System Board. 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 7.5% of compensation until December 31, 2012, and 9.0% thereafter. Substantially all full-time employees are eligible to participate. Retirement plan expense was $133,889 and $76,567 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 to provide educational instruction. The grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses are recognized as incurred. At June 30, 2013 and 2012, the School had refundable grant advances in excess of expenditures of $4,080 and $7,147, respectfully.

(9) Commitments

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Expense under this charter agreement was $26,087 and $56,662 for the years ended June 30, 2013 and 2012, respectively. The charter remains in effect until June 30, 2015, and is renewable thereafter by mutual consent.

(10) Risks and Uncertainties

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

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

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2013 and 2012, substantially all of the accounts receivable balance was due from the State of Indiana. In addition, deposits maintained at Old National Bank occasionally exceed the FDIC insurance limit.

(11) Functional Expense Reporting

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

	2013		
	Educational Instruction	Education Support	Admini-strative
Salaries and wages	$ 988,144	76,448	448,610
Employee benefits	271,679	21,362	99,386
Staff development and recruitment	42,775	-	-
Professional services	52,272	20,681	88,536
Textbooks and educational materials	3,629	-	-
Authorizer oversight fee	-	-	26,087
Academic services	-	-	117,043
Transportation	-	95,100	-
Food costs	-	99,914	-
Equipment rental and expense	522	-	-
Repairs and maintenance		17,018	-
Technology	46,124	58,151	-
Classroom, kitchen and office supplies	17,658	791	10,065
Occupancy	322,887	-	-
Depreciation	151,625	-	-
Interest	-	-	54,753
Insurance	-	-	14,914
Other	-	21,819	28,169
	$1,897,315	411,284	887,563

(11) Functional Expense Reporting, Continued

	2012		
	Educational Instruction	Education Support	Administrative
Salaries and wages	$1,006,157	11,375	62,423
Employee benefits	269,904	3,241	13,769
Staff development and recruitment	14,524	-	-
Professional services	118,860	5,342	8,087
Textbooks and educational materials	9,856	-	-
Authorizer oversight fee	-	-	56,662
Academic services	-	-	366,075
Transportation	-	121,418	-
Food costs	-	105,865	-
Equipment rental and expense	1,673	34,077	-
Repairs and maintenance		32,309	-
Technology		40,305	-
Classroom, kitchen and office supplies	26,920	2,655	21,284
Occupancy	260,100	43,426	-
Depreciation	115,629	-	-
Interest	-	-	57,130
Insurance	-	-	13,074
Travel	-	-	2,489
Other	3,528	654	24,130
	$1,827,151	400,667	625,123

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY 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 AGRICULTURE			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfrast Program	10.553		$ 15,201
National School Lunch Program	10.555		76,136
Total for cluster			91,337
U.S. DEPARTMENT OF EDUCATION			
Pass-through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	12-9480 13-9480	245,507
Special Education Cluster			
Special Education - Grants to States	84.027	14212-543-PN01	51,566
Improving Teacher Quality State Grants	84.367		26,094
School Improvement Cluster			
School Improvement Grants	84.377		913,043
ARRA - Education Jobs Fund	84.410		1,300
Total for federal grantor agency			1,237,510
Total federal awards expended			$ 1,328,847

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

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY 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 21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory Academy (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
21st Century Charter School at Fountain Square, 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 **21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory 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 December 31, 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.

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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.

Fitzgerald/Isaac LLC

Indianapolis, IN
December 31, 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
21st Century Charter School at Fountain Square, Inc.

Report on Compliance for Each Major Federal Program

We have audited **21st Century Charter School at Fountain Square, Inc. d/b/a University Heights Preparatory 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.

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Opinion on Each Major Federal Program

In our opinion, 21st Century Charter School at Fountain Square, 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 21st Century Charter School at Fountain Square, 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.

Indianapolis, IN
December 31, 2013

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY ACADEMY

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

I. Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY 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
	School Improvement Cluster:
84.377	School Improvement Grants

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

Auditee qualified as low-risk auditee: No

II. Financial Statement Findings

No matters are reportable.

III. Federal Award Findings and Questioned Costs

No matters are reportable.

21st CENTURY CHARTER SCHOOL AT FOUNTAIN SQUARE, INC.
d/b/a
UNIVERSITY HEIGHTS PREPARATORY 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 21st Century Charter School at Fountain Square, Inc.
d/b/a University Heights Preparatory Academy

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