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February 28, 2014

Charter School Board
Imagine Indiana Life Sciences Academy West, Inc.
4950 W. 34th Street
Indianapolis, IN 46224

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 Imagine Indiana Life Sciences Academy West, Inc., 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.

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

State Board of Accounts

IMAGINE INDIANA LIFE SCIENCES

ACADEMY WEST, INC.

Financial Statements and Federal Single Audit Report

June 30, 2013 and 2012

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-13
Supplementary Information:	
Schedule of Expenditures of Federal Awards	14
Notes to Schedule of Expenditure of Federal Awards	15
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 Auditing Standards</i>	16-17
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	18-20
Schedule of Findings and Questioned Costs	21-22
Exit Conference	23

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Imagine Indiana Life Sciences Academy West, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **Imagine Indiana Life Sciences Academy West, Inc.**, 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.

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 Imagine Indiana Life Sciences Academy West, 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, August 2, 2013, on our consideration of Imagine Indiana Life Sciences Academy West, 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 Imagine Indiana Life Sciences Academy West, Inc.'s internal control over financial reporting and compliance.



Indianapolis, IN
August 2, 2013

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Statements of Financial Position

Assets	June 30	
	2013	2012
Current assets:		
Cash and cash equivalents	\$ 705,937	552,765
Accounts receivable:		
State education support	-	2,062,297
Grants	72,908	32,281
Other	7,547	1,188
Prepaid expenses	3,720	5,428
Total current assets	<u>790,112</u>	<u>2,653,959</u>
Property and equipment:		
Furniture, fixtures, and equipment	788,016	777,253
Accumulated depreciation	<u>(581,993)</u>	<u>(426,776)</u>
Property and equipment, net	<u>206,023</u>	<u>350,477</u>
	<u>\$ 996,135</u>	<u>3,004,436</u>
 <u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses:		
Due to Imagine Schools, Inc.	\$ 262,471	246,730
Other	113,109	211,430
Refundable advances	5,440	11,943
Total current liabilities	<u>381,020</u>	<u>470,103</u>
Deferred rent payable	312,996	292,508
Accrued interest on Common School Fund loans	-	209,995
Notes payable	-	2,386,657
Total liabilities	<u>694,016</u>	<u>3,359,263</u>
Unrestricted net assets (deficiency)	<u>302,119</u>	<u>(354,827)</u>
	<u>\$ 996,135</u>	<u>3,004,436</u>

See accompanying notes to financial statements.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Statements of Activities

	Year Ended June 30	
	2013	2012
<u>Revenue, Gains and Support</u>		
State education support	\$ 4,264,254	4,124,752
Grant revenue	1,425,086	1,570,744
Student fees	52,660	46,481
Rental income	3,020	11,505
Contributions	353	1,270
Other	56,361	5,425
Total revenue, gains and support	<u>5,801,734</u>	<u>5,760,177</u>
<u>Expenses</u>		
Program services:		
Educational instruction	3,701,989	3,288,837
Education support	936,716	1,169,316
Administrative	990,302	1,138,391
Total expenses	<u>5,629,007</u>	<u>5,596,544</u>
Increase in net assets before non-operating revenue	172,727	163,633
<u>Non-Operating Revenue</u>		
Gain due to changes in legislative funding	<u>484,219</u>	<u>-</u>
Increase in net assets	656,946	163,633
Net assets (deficiency), beginning of year	<u>(354,827)</u>	<u>(518,460)</u>
Net assets (deficiency), end of year	<u>\$ 302,119</u>	<u>(354,827)</u>

See accompanying notes to financial statements.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Statements of Cash Flows

	Year Ended June 30	
	2013	2012
Operating Activities		
Change in net assets	\$ 656,946	163,633
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Gain due to changes in legislative funding	(484,219)	-
Depreciation	155,217	184,924
Change in:		
Accounts receivable	(116,816)	(450,963)
Prepaid expenses	1,708	32,134
Accounts payable and accrued expenses	(42,398)	171,241
Refundable advances	(6,503)	(101,173)
Net cash provided (used) by operating activities	163,935	(204)
Investing Activities		
Purchase of property and equipment	(10,763)	(124,480)
Net cash used by investing activities	(10,763)	(124,480)
Financing Activities		
Proceeds from State of Indiana loans	-	266,389
Net cash provided by financing activities	-	266,389
Net increase in cash	153,172	141,705
Cash and cash equivalents, beginning of year	552,765	411,060
Cash and cash equivalents, end of year	\$ 705,937	552,765
Supplementary information:		
Cash payments for interest expense	\$ -	-

See accompanying notes to financial statements.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

June 30, 2013 and 2012

(1) Summary of Significant Accounting Policies

General

Imagine Indiana Life Sciences Academy West, 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 as of July 1, 2009. The School has entered into a service agreement with Imagine Schools, Inc., an organization incorporated in the State of Virginia, to provide curriculum, managerial, legal, and financial services.

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 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.

Accounts Receivable

Accounts receivable relate primarily to activities funded under grants and legislation of 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.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Taxes on Income

Imagine Indiana Life Sciences Academy West, 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

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 for furniture, fixtures and equipment range from three to twenty years.

Deferred Rent Payable

As a result of the annual escalation in rent obligation on the building lease (see Note 4), the School has recorded a deferred credit to reflect the excess of rent expense over cash payments since the inception of the lease.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Subsequent Events

The School evaluated subsequent events through August 2, 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 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.

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.....	\$2,386,657
Repayment of accrued interest on Common School Fund loans.....	<u>229,689</u>
	2,616,346
Elimination of School funding	<u>(2,132,127)</u>
	<u>\$ 484,219</u>

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(3) Accounts Receivable

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

Tuition support	\$ 2,000,917
Special education grant	<u>61,380</u>
	<u>\$2,062,297</u>

Tuition support is determined by state law and is dependent upon the geographic location of the school. The tuition is also 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) Notes Payable

Notes payable at June 30, 2012 represented four loans from the Indiana Common School Fund. The notes 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 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).

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(5) Leases

The School leases the school facility and certain items of equipment under operating leases. The school facility is leased from Schoolhouse Finance, LLC, an affiliate of Imagine Schools, Inc., which is under contract to operate and manage the School. The lease provides for monthly rental payments, which escalate at 2% annually, through June 30, 2019. The equipment lease provides for monthly lease payments through May 2017. Lease expense under operating leases for the years ended June 30, 2013 and 2012 was \$1,111,197 and \$1,066,609, respectively.

Future minimum lease obligations are as follows:

Year Ended June 30:

2014	\$1,108,448
2015	1,130,059
2016	1,152,102
2017	1,172,260
2018	1,169,614
Thereafter	1,193,007

(6) Commitments

The School has executed an operating agreement with Imagine Schools, Inc., whereby Imagine Schools, Inc. provides management, administrative, and educational programming services. This agreement remains in effect so long as the School maintains its charter, but may be terminated by either party with appropriate advance notice. Under terms of the agreement, the School has agreed to pay an amount equal to 12% of revenues, as defined, for such services. Aggregate payments to Imagine Schools, Inc. under this agreement were \$492,468 and \$480,322 for the years ended June 30, 2013 and 2012, respectively.

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. The charter remains in effect until June 30, 2014, and is renewable thereafter by mutual consent. Payments under this charter agreement were \$61,559 and \$120,076 for the years ended June 30, 2013 and 2012, respectively.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Notes to Financial Statements

(7) 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 \$5,440 and \$11,943, respectively.

(8) Retirement Plan

The School participates in a Section 401(k) retirement plan sponsored by Imagine Schools, Inc. for the benefit of its employees. Under the plan, the School will match 100% of employee contributions not to exceed 5% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2013 and 2012. Retirement plan expense for the years ended June 30, 2013 and 2012 was \$54,261 and \$43,136, respectively.

(9) Risks and Uncertainties

The School provides educational instruction services to families residing primarily in Marion County, 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.

All deposits are maintained at JP Morgan Chase Bank and are insured by FDIC insurance coverage up to the legal limit.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, 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.....	\$1,641,055	115,994	223,430
Employee benefits	317,252	20,581	33,163
Professional services	122,260	300	44,541
Staff development and recruitment.....	-	13,473	-
Academic services	-	-	492,468
Authorizer oversight fee	-	-	61,559
Food costs.....	-	320,995	-
Transportation service	3,724	324,916	-
Property rental	-	-	25,433
Information technology	-	-	38,229
Classroom, kitchen and office supplies.....	165,331	23,501	24,541
Occupancy	1,297,150	110,831	-
Depreciation	155,217	-	-
Interest	-	-	19,693
Other	-	<u>6,125</u>	<u>27,245</u>
	<u>\$3,701,989</u>	<u>936,716</u>	<u>990,302</u>

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, 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.....	\$1,196,512	208,552	203,302
Employee benefits	328,688	49,706	49,730
Professional services	156,099	8,991	59,210
Staff development and recruitment.....	-	73,989	-
Academic services	-	-	480,322
Authorizer oversight fee.....	-	-	120,076
Food costs.....	-	326,447	-
Transportation service	9,149	356,422	-
Property rental	-	-	23,437
Information technology	-	-	42,941
Classroom, kitchen and office supplies.....	195,404	17,491	12,618
Occupancy	1,218,061	122,106	-
Depreciation	184,924	-	-
Interest.....	-	-	91,914
Other	-	5,612	54,841
	<u>\$3,288,837</u>	<u>1,169,316</u>	<u>1,138,391</u>

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

<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>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 104,431
National School Lunch Program	10.555		245,644
Total for cluster			<u>350,075</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	12-9850 13-9850	544,203
Special Education Cluster			
Special Education - Grants to States	84.027	14212-554-PN01	84,294
Charter Schools Program	84.282	SY-2012-13-006	129,800
English Language Acquisition Grants	84.365	01113-098-PN01	10,309
Improving Teacher Quality State Grants	84.367		55,175
Total for federal grantor agency			<u>823,781</u>
Total federal awards expended			<u>\$ 1,173,856</u>

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

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

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 Imagine Indiana Life Sciences Academy West, 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.

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
Imagine Indiana Life Sciences Academy West, 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 **Imagine Indiana Life Sciences Academy West, Inc.** (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 August 2, 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.

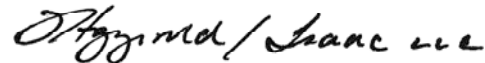
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Indianapolis, IN
August 2, 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
Imagine Indiana Life Sciences Academy West, Inc.

Report on Compliance for Each Major Federal Program

We have audited **Imagine Indiana Life Sciences Academy West, 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 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.

Opinion on Each Major Federal Program

In our opinion, Imagine Indiana Life Sciences Academy West, 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.

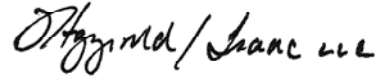
Report on Internal Control Over Compliance

Management of Imagine Indiana Life Sciences Academy West, 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.

Handwritten signature in black ink, appearing to read "Raymond J. Isaac III".

Indianapolis, IN
August 2, 2013

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

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:	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 auditor's 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

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

I. Summary of Auditor's Results, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
	National School Lunch Program
84.010	Title I, Part A Cluster
	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.

IMAGINE INDIANA LIFE SCIENCES ACADEMY WEST, INC.

Exit Conference

Year Ended June 30, 2013

The contents of this report were discussed on February 19, 2014 with Keith Marsh (Principal), Jorge Arredondo (Board Treasurer), Teresa Marti (Board Member), and Angelica Cely (Business Manager).