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September 2, 2015

Charter School Board
Padua Academy
349 North Warman Avenue
Indianapolis, IN 46222

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, LLP, 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 Padua 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.

We call your attention to the findings in the report. Pages 26 through 29 contain three current audit findings. Management's response is on pages 28 and 29.

In addition to the report presented herein, a Supplemental Audit Report for Padua 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.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

Padua Academy

Financial Statements
With Supplemental Information

For the Years Ended
June 30, 2013 and 2012

PADUA
ACADEMY

Sikich®

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Padua Academy
Indianapolis, Indiana:

Report on the Financial Statements

We have audited the accompanying financial statements of Padua Academy (an Indiana non-profit organization), 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; and the *Guidelines for the Audits of Charter School Performed by Private Examiners,* issued by the Indiana State Board of Accounts. 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 Padua Academy 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.

Subsequent Event

As discussed in Note 11 to the financial statements, on August 4, 2014 the ADI Schools, Inc. Board of Directors voted in favor of closing the Padua Academy effective June 30, 2015. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Padua Academy is a component of ADI Schools, Inc. and is subject to oversight by the Indiana State Board of Accounts in conjunction with the Indiana Department of Education. A separate audit of Padua Academy is required by these regulatory agencies. Padua Academy's financial statements are not intended to be a complete presentation of the assets, liabilities, revenues, and expenses of ADI Schools, Inc. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also 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 7, 2015 on our consideration of Padua Academy'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 Padua Academy's internal control over financial reporting and compliance.

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
August 7, 2015

PADUA ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS:		
Cash and cash equivalients	$ 317,087	$ 2,549,650
Accounts receivable	33,422	-
Grants receivable	131,039	78,758
State support receivable, net of allowance of $595,387 and $0 in 2013 and 2012, respectively	-	472,669
Prepaid expenses	14,796	757
Total Current Assets	496,344	3,101,834
PROPERTY AND EQUIPMENT:		
Furniture and equipment	88,591	1,348
Computer hardware	109,947	30,148
Computer software	7,225	5,670
Leasehold improvements	2,420,820	554,415
Books and educational materials	91,528	61,656
Less: accumulated depreciation	(116,281)	(30,103)
Total Property and Equipment, net	2,601,830	623,134
OTHER ASSETS:		
Bond fees, net of amortization of $6,962 and $3,620 in 2013 and 2012, respectively	43,160	46,502
TOTAL ASSETS	$ 3,141,334	$ 3,771,470

See accompanying notes to financial statements.

PADUA ACADEMY
STATEMENTS OF FINANCIAL POSITION
(continued)
JUNE 30, 2013 AND 2012

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES:		
Accounts payable	$ 28,791	$ 110,965
Due to Mother Theodore Catholic Academies and the Archdiocese	197,590	396,039
Current portion of bonds payable	144,444	50,000
Accrued payroll	13,755	19,619
Total Current Liabilities	384,580	576,623
LONG TERM LIABILITIES:		
Accrued interest - Common School Loans	-	9,360
Bond payable, net of current portion	2,419,445	2,550,000
Common School Loan, net of current portion	-	539,331
Loan payable to Mother Theodore Catholic Academies and the Archdiocese	525,000	525,000
Total Long Term Liabilities	2,944,445	3,623,691
NET ASSETS:		
Unrestricted	(245,119)	(485,133)
Temporarily restricted	57,428	56,289
Total Net Assets	(187,691)	(428,844)
TOTAL LIABILITIES AND NET ASSETS	$ 3,141,334	$ 3,771,470

See accompanying notes to financial statements.

PADUA ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
School lunch program	$ 779	$ -	$ 779
Student fees	7,230	-	7,230
Contributions and donations	18,963	-	18,963
Grant revenue	746,074	1,139	747,213
State support	1,190,493	-	1,190,493
Other revenue	6,430	-	6,430
Total Revenues and Support	1,969,969	1,139	1,971,108
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	1,370,413	-	1,370,413
Supporting services:			
General and administrative	339,868	-	339,868
Fundraising	4,911	-	4,911
Total Expenses	1,715,192	-	1,715,192
NON-OPERATING REVENUE:			
Net loss due to changes in legislative funding:	(14,763)	-	(14,763)
CHANGE IN NET ASSETS	240,014	1,139	241,153
NET ASSETS, beginning of year	(485,133)	56,289	(428,844)
NET ASSETS, end of year	$ (245,119)	$ 57,428	$ (187,691)

See accompanying notes to the financial statements.

PADUA ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:			
School lunch program	$ 1,886	$ -	$ 1,886
Student fees	40,730	-	40,730
Contributions and donations	1,218	-	1,218
Grant revenue	333,727	-	333,727
State support	945,376	-	945,376
Overpayments and reimbursements	10,082	-	10,082
Other revenue	2,054	-	2,054
Net assets released from restrictions by satisfaction of temporary restrictions	92,811	(92,811)	-
Total Revenues and Support	1,427,884	(92,811)	1,335,073
PROGRAM AND SUPPORTING SERVICE EXPENSES:			
Program services	930,026	-	930,026
Supporting services:			
General and administrative	696,544	-	696,544
Fundraising	10,817	-	10,817
Total Expenses	1,637,387	-	1,637,387
CHANGE IN NET ASSETS	(209,503)	(92,811)	(302,314)
NET ASSETS, beginning of year	(275,630)	149,100	(126,530)
NET ASSETS, end of year	$ (485,133)	$ 56,289	$ (428,844)

See accompanying notes to the financial statements.

PADUA ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 241,153	$ (302,314)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	86,178	25,400
Net loss due to changes in legislation	14,763	-
(Increase) decrease in:		
Accounts receivable	(33,422)	-
Grants receivable	(52,281)	37,001
State support receivable	(122,718)	-
Prepaid expense	(14,039)	569
Loan fees	3,342	3,342
Increase (decrease) in:		
Accounts payable	(82,174)	88,935
Due to Mother Theodore Catholic Academies and the Archdiocese	(198,449)	(51,501)
Accrued interest	31,933	9,360
Accrued payroll	(5,864)	2,995
NET CASH USED BY OPERATING ACTIVITIES	(131,578)	(186,213)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,064,874)	(498,629)
NET CASH USED BY INVESTING ACTIVITIES	(2,064,874)	(498,629)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt borrowings	-	596,312
Long-term debt repayments	(36,111)	-
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(36,111)	596,312
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,232,563)	(88,530)
CASH AND CASH EQUIVALENTS - beginning of year	2,549,650	2,638,180
CASH AND CASH EQUIVALENTS - end of year	$ 317,087	$ 2,549,650
SUPPLEMENTAL DISCLOSURES		
Interest paid	$ 3,875	$ 9,360

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - ADI Schools, Inc. was incorporated June 24, 2009, for the purpose of operating two separately chartered schools Padua Academy (the "Academy"), and Andrew Academy, which both opened to students in August of 2010. The Indiana State Board of Accounts considers each charter school its own local education agency, and as such treats them as unique entities. Padua Academy seeks to serve urban Indianapolis by educating students to become self-sufficient and productive leaders who are ready to succeed in a diverse global society. The school has a clear and consistent focus on academic rigor, grounded in strong character development and citizenship.

The Academy is a component of ADI Schools, Inc. and is subject to oversight by the Indiana State Board of Accounts in conjunction with the Indiana Department of Education. A separate audit of the Academy is required by these regulatory agencies. The Academy's financial statements are not intended to be a complete presentation of the assets, liabilities, revenues, and expenses of ADI Schools, Inc.

Basis of Accounting - The financial statements of the Academy have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

Basis of Presentation - As required by Financial Statement Presentation Disclosure topic of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), the Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Net Assets - The financial statements report amounts separately by class of net assets:

> ***Unrestricted net assets -*** Unrestricted amounts are those currently available for use in the Academy's activities.
>
> ***Temporarily restricted net assets -*** Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes or the passage of time. As of June 30, 2013 and 2012, the Academy had $57,428 and $56,289 of temporarily restricted net assets, respectively.
>
> ***Permanently restricted net assets -*** Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Academy. Generally, the donors of these assets permit the Academy to use all or part of the income earned on the related investments for general or specific purposes. As of June 30, 2013 and 2012, the Academy had no permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Academy considers all investments purchased with an original maturity of three months or less to be cash equivalents.

Grants Receivable - Grants receivable represent the uncollected portion of funds from grants earned by the Academy.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management reviews grants receivable on a periodic basis to determine if any receivables will potentially be uncollectible. The Academy includes any grant receivable balances that are determined to be uncollectible in its allowance for doubtful accounts. After all attempts to collect the receivable have failed, the receivable is written off against the allowance. Based upon management's evaluation as of June 30, 2013 and 2012, an allowance for doubtful accounts is not considered necessary. However, actual write-offs may occur.

State Support Receivable – 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. Tuition support is payable in equal monthly installments in the calendar year following the start of the academic school year. As such, the Academy followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the Academy in the subsequent July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, tuition support will be paid currently in monthly installments that coincide with the Academy's fiscal year.

Management reviews state support receivable on a periodic basis to determine if any receivables will potentially be uncollectible. The Academy includes any state support receivable balances that are determined to be uncollectible in its allowance for doubtful accounts. After all attempts to collect the receivable have failed, the receivable is written off against the allowance. Based upon management's evaluation as of June 30, 2013 and 2012, the allowance for doubtful accounts was $595,387 and $0, respectively. The Indiana State Board of Accounts is permitting the allowance for doubtful accounts related to changes in legislative funding to remain on the Statement of Financial Position until after the next full legislative session, which occurs in 2017. This allowance is based upon management's estimate using the expected amount of receivables that will be collected due to the changes in legislative funding (See Note 3).

Property and Equipment - Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The Academy capitalizes additions of property and equipment in excess of $1,000 cost, or fair value if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 40 years. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of activities.

Depreciation expense was $86,178 and $25,400 for the years ended June 30, 2013 and 2012, respectively.

Bond Fees - The Academy amortizes the loan fees on the straight-line method over the life of the bonds, which is fifteen years. Amortization expense amount to $3,342 for the years ended June 30, 2013 and 2012.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-lived Assets - The Academy evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed for the years ended June 30, 2013 and 2012.

Contributed Materials and Services - Contributed services are recognized as contributions in accordance with Contributions Disclosure Topic of FASB ASC, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Academy. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The Academy received no in-kind contributions during the years ended June 30, 2013 and 2012.

Volunteers provide program services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under Contributions Disclosure Topic of FASB ASC. These services include volunteering at events, picking up donations, and various clerical work.

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the Academy 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 paid in equal monthly installments in January through December following the state 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 Academy's revenue consists of cost reimbursement grants. Accordingly, the Academy recognizes revenue under the grants in the amounts of costs and expenses in the time they are uncured.

The Academy reports grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the grant is received, the Academy reports the support as unrestricted.

Functional Expense Allocation - The costs of providing the various programs and other activities have been summarized in the statement of activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. The allocation is based on a formula contained within the grant documents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Costs are allocated to the programs and supporting services. Management periodically evaluates its allocation method and revises it when necessary. Management and general expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the Academy.

Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could vary from the estimates that were used.

Advertising - The Academy expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2013 and 2012 was $5,334 and $493, respectively.

Income Taxes - The Academy is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Academy is not considered to be a private foundation. Accordingly, no provision for income taxes has been reflected in the Academy's financial statements.

The Academy has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. In the normal course of business, the Academy is subject to examination by taxing authorities. The Academy's tax returns for years subsequent to fiscal year 2010 are open, by statute, for review by authorities. However, at present there are no ongoing income tax audits or unresolved disputes with the various tax authorities that the Academy currently files or has filed.

Concentration of Credit Risk - Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of temporary cash investments and grants receivable.

The Academy places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. There was $181,218 and $2,072,449 in excess of FDIC insured limits at June 30, 2013 and 2012, respectively.

Concentrations of credit risk with respect to grants receivable are limited due to the Academy's ability to accomplish the terms of the grants. Credit losses, if any, have been provided in the financial statements and have been within management's expectations.

Operating Funds from the Indiana Department of Education amounted to 60.4% and 66.2% of the Academy's support and revenue in the years ended June 30, 2013 and 2012, respectively. A state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the school during the year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications **–** Certain amounts in the prior-year financial statements have been reclassified in order to be comparable with the current year presentation. State support receivable and state support revenue has been separated from grants receivable and grant revenue due to the change in legislative funding. In addition, loan fees have been reclassified as amortization expense in the statements of cash flows. These reclassifications have no effect on the previously reported change in net assets.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Education - Padua Academy is committed to providing a school environment where educators, students, and parents are dedicated to creating a secure, constructive learning environment for all students. Curriculum supports the national Core Curriculum standards in Mathematics and Language Arts and incorporates a variety of instruction, individual and group projects, and experiential learning. Curriculum also includes Social Studies, Visual Arts, Music, and Physical Education. Character development, self-esteem, and community pride are emphasized across all courses of study as part of a “whole student” philosophy.

NOTE 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 the calendar year following the start of the academic school year. As such, the Academy followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the Academy in the subsequent July through December time period, which represented amounts due for services rendered.

Effective July 1, 2013, school funding was paid following the State of Indiana fiscal year of July to June, which aligns with the Academy’s academic year. As part of this legislative amendment, the funding owed to the Academy under prior legislation for the period July to December 2013 was not received by the Academy.

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 Academy has received forgiveness 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 net loss due to changed in legislative funding and is comprised of the following:

Forgiveness of Common School Fund loans	$ 539,331
Forgiveness of Common School Fund accrued interest	41,293
	580,624
Allowance for doubtful accounts related to changes in legislative funding	(595,387)
Net loss due to changes in legislation	$ (14,763)

NOTE 4 – GRANTS RECEIVABLE

Grants receivable for the years ended June 30, 2013 and 2012 represent amounts due from the Indiana Department of Education relating to the following sources:

	2013	2012
Title I	$ 76,316	$ 42,227
Title II	-	678
Title III	-	8,377
TIF/TAP	33,594	19,195
Implementation	20,672	-
NESP	-	752
Planning grant	-	7,529
Special education	457	-
	$ 131,039	$ 78,758

NOTE 5 - OPERATING LEASES

The Academy entered into a seven year lease with Roman Catholic Archdiocese of Indianapolis Properties, Inc. for educational facilities located at 349 N. Warman, Ave, Indianapolis, Indiana. The lease, which expires on June 30, 2017, requires monthly payments ranging from $5,843 to $8,333. During the years ended June 30, 2013 and 2012, $80,000 and $75,000 was expensed for facilities rent.

The Academy also leases three copiers from Sharp Business Systems and one copier from Konica Minolta. One lease will expire in July 2015 and the other copiers' lease will expire in August 2015. During the year ended June 30, 2013 and 2012, $13,598 and $13,127 was expensed, respectively.

The future minimum rental payments required under the operating leases for the years subsequent to June 30, 2013 are as follows:

Year	Amount
2014	$ 91,678
2015	96,678
2016	95,557
2017	100,000
	$ 383,913

NOTE 6 - PENSION PLAN

403(b) Plan

The Academy's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants are eligible to contribute to the Plan. The employer made a 50% matching contribution up to 8% and 4% for the years ended June 30, 2013 and 2012, respectively. The Academy also has a grandfathered pension plan for faculty and certain administrative employees that were hired prior to January 1, 2012. Only participants that were hired before January 1, 2012 may contribute to this plan.

Pension expense was $36,349 and $46,868 for the years ended June 30, 2013 and 2012, respectively.

NOTE 7 - LONG-TERM DEBT

Long-term debt included the following at June 30, 2013 and 2012:

	2013	2012
Loan Payable in semi - annual installments, interest computed at 4%, through maturity on July 1, 2033 (a)	$ -	$ 468,019
Loan Payable in semi - annual installments, interest computed at 4%, through maturity on July 1, 2033 (a)	-	71,312
Bond Payable in quarterly installments, interest computed at 5%, through maturity on January 1, 2031 (b)	2,563,889	2,600,000
Loan Payable in semi - annual installments, matures on July 1, 2033	525,000	525,000
	$ 3,088,889	$ 3,664,331
Less: current maturities	(144,444)	(50,000)
Total Long-term Debt	$ 2,944,445	$ 3,614,331

(a) The State of Indiana advanced funds from the Common School Fund to assist the Academy during its initial years of operations. Under the terms of the agreements with the State of Indiana, the Academy agreed to repay these loans through deductions from the Academy's share of State Tuition Support. In 2011, the Indiana Common School Fund granted a second moratorium on loan payments. The Academy has received forgiveness of its indebtedness under these obligations as of June 30, 2013.

(b) Qualified School Construction Bonds (QSCBs). Under the American Recovery and Reinvestment Act of 2009, the Federal Treasury created QSCBs tax credit bonds, which provide federal subsidy equal to 4.5% interest. Payments of principal commenced June 15, 2013.

NOTE 7 - LONG-TERM DEBT (Continued)

The bond agreement has certain restrictive covenants with which Padua Academy was not in compliance. The bank has waived, without penalty, compliance for the period ending July 1, 2014.

At June 30, 2013, the debt service requirements of loans payable were as follows:

Year Ending	Total Principal	Total Interest	Total Debt Service
June 30, 2014	$ 144,444	$ 125,486	$ 269,930
June 30, 2015	144,444	118,264	262,708
June 30, 2016	144,444	111,042	255,486
June 30, 2017	144,444	103,819	248,263
June 30, 2018	144,444	95,694	240,138
Thereafter	2,366,669	513,681	2,880,350
	$ 3,088,889	$ 1,067,986	$ 4,156,875

Total interest expense during the years ended June 30, 2013 and 2012 was $35,809 and $9,360, respectively.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

The Academy has entered into two agreements for the construction and renovation of their leased educational facility. Current estimated costs for these constructions and renovations are $108,698 and $2,060,300 for the years ended June 30, 2013 and 2012, respectively.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

	2013	2012
Walton Grant	$ 56,379	$ 56,289
Before and After Care	1,049	-
	$ 57,428	$ 56,289

During the years ended June 30, 2013 and 2012, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2013	2012
Walton Grant	$ -	$ 92,811

NOTE 10 - RELATED PARTIES

The Academy has two affiliated organizations, ADI Charter Schools and Mother Theodore Catholic Academies.

ADI Charter Schools (ADI) is a separate legal entity that is contracted to assist the operations of the school. ADI Charter Schools provides school-specific administrative services and general management and oversight of the Academy. ADI charges the Academy for its expenses related to the services provided. No markup is added to the fees charged to the schools. Total Administrative Services paid during the years ended June 30, 2013 and 2012 was $48,248 and $47,146, respectively.

Mother Theodore Catholic Academies (MTCA) is an affiliated company of the Academy. MTCA is a separately incorporated, not-for-profit that is not controlled by the Academy. MTCA provides the Academy with advances as needed. During 2012, the Academy received advances of $525,000. As of June 30, 2013 the Academy has not repaid this advance.

In addition, the Academy processes its payroll, benefits and other costs through MTCA. If the Academy is unable to make a payment for payroll or other costs it accrues in the accounts payable to MTCA. As of June 30, 2013 and 2012, MTCA allowed the Academy to accrue $197,590 and $396,039, respectively, of payroll, benefits and other costs.

NOTE 11 - SUBSEQUENT EVENT

In preparing these financial statements, the Academy has evaluated subsequent events and transactions for potential recognition or disclosure through August 7, 2015 the date the financial statements were available to be issued.

On August 4, 2014, the ADI Schools, Inc. Board of Directors voted in favor of closing both of its charter schools, Andrew Academy and Padua Academy, effective June 30, 2015. The Archdiocese is working to refinance the Qualified School Construction Bond held by Padua Academy, assuming sole responsibility for that debt. St. Anthony Catholic School will open in the summer of 2015 at the facility on North Warman Avenue currently home to Padua Academy.

PADUA ACADEMY
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Service Expenses			Supporting Services		
	Grants	Academics	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 227,573	$ 603,524	$ 831,097	$ 128,094	$ 3,946	$ 963,137
Instructional services	-	299	299	-	-	299
Information technology	-	1,547	1,547	274	-	1,821
Accounting services	-	-	-	53,217	-	53,217
Legal services	-	-	-	19,025	-	19,025
Cleaning services	-	29,520	29,520	7,380	-	36,900
Security services	-	869	869	217	-	1,086
Utilities and services	-	8,783	8,783	2,196		10,979
Other outside services	45,275	105,975	151,250	52,364	965	204,579
Course materials/supplies	6,290	16,905	23,195	23,066	-	46,261
Nutritional support	87,520	42,934	130,454	-	-	130,454
Travel and entertainment	-	-	-	331	-	331
Rent and facilities	-	75,747	75,747	18,937	-	94,684
Depreciation and amortization	-	71,616	71,616	17,904	-	89,520
Interest expense	-	18,060	18,060	8,390	-	26,450
Insurance	-	19,089	19,089	4,772	-	23,861
Advertising expenses	-	5,334	5,334	-	-	5,334
Small equipment purchases	-	3,553	3,553	250	-	3,803
Miscellaneous	-	-	-	3,451	-	3,451
	$ 366,658	$ 1,003,755	$ 1,370,413	$ 339,868	$ 4,911	$ 1,715,192

See accompanying notes to the financial statements.

PADUA ACADEMY

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Service Expenses			Supporting Services		
	Grants	Academics	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and benefits	$ 140,135	$ 503,589	$ 643,724	$ 360,382	$ -	$ 1,004,106
Professional services	-	873	873	186,102	10,817	197,792
Accounting/payroll services	-	-	-	30,657	-	30,657
Legal services	-	-	-	8,529	-	8,529
Cleaning services	-	27,216	27,216	6,804	-	34,020
Security services	-	754	754	189	-	943
Utilities and services	-	22,732	22,732	5,683	-	28,415
Materials/supplies/fees/postage	2,947	21,003	23,950	14,360	-	38,310
Nutritional support	82,089	-	82,089	120	-	82,209
Before/aftercare and extra-curricular	-	-	-	11,442	-	11,442
Sales/marketing/community relations	-	-	-	11,609	-	11,609
Travel and entertainment	-	-	-	4,146	-	4,146
Vehicle/transportation expense	-	-	-	5,480	-	5,480
Rent and facilities	-	70,502	70,502	17,625	-	88,127
Depreciation and amortization	-	20,320	20,320	5,080	-	25,400
Interest expense	-	14,977	14,977	3,744	-	18,721
Advertising expenses	-	493	493	-	-	493
Insurance	-	22,396	22,396	5,599	-	27,995
Small equipment purchases	-	-	-	2,522	-	2,522
Miscellaneous	-	-	-	16,471	-	16,471
	$ 225,171	$ 704,855	$ 930,026	$ 696,544	$ 10,817	$ 1,637,387

See accompanying notes to the financial statements.

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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*

To the Board of Directors
of Padua Academy
Indianapolis, Indiana:

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 Padua Academy which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 7, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Padua Academy'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 Padua Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Padua Academy'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding 2013-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Padua Academy'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item Finding 2013-002.

Padua Academy's Response to Findings

Padua Academy’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Padua Academy’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Sikich, LLP

Sikich LLP

Indianapolis, Indiana
August 7, 2015

PADUA ACADEMY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Programs	10.553		$ 14,343
National School Lunch Program	10.555		94,113
Total for Child Nutrition Cluster			108,456
Fresh Fruit and Vegetable Program	10.582		5,082
Total for U.S. Department of Agriculture			113,538
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010*	13-9720	134,559
		13-9720	24,077
Total for Title I, Part A Cluster	84.010*		158,636
Special Education Cluster (IDEA)			
Special Education Grants to States	84.027		31,531
			3,921
Total for Special Education Cluster (IDEA)	84.027		35,452
Teacher Incentive Fund	84.374		62,660
			33,594
Total for Teacher Incentive Fund	84.374		96,254
Charter Schools	84.282*	EDS# A58-3-13SS-1057	238,918
Improving Teacher Quality State Grants	84.367	10-9720	3,832
English Language Acquisition State Grants	84.365		3,276
Total for U.S. Department of Education			536,368
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 649,906

** Indicates a major program*

See accompanying notes to the schedule of expenditures of federal awards.

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include the federal grant activity of Padua Academy and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

OMB Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of $500,000 in any fiscal year unless by constitution or statute a less frequent audit is required.

NOTE 2 – OTHER

There were no amounts provided to sub-recipients; there was no non-cash assistance; there was no federal insurance in effect; and there were no loans or loan guarantees with continuing compliance requirements.

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

To the Board of Directors of
Padua Academy
Indianapolis, Indiana:

Report on Compliance for Each Major Federal Program

We have audited Padua Academy's 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 Padua Academy's major federal programs for the year ended June 30, 2013. Padua Academy'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 Padua Academy'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 Padua Academy'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 Padua Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, Padua Academy 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-003. Our opinion on each major federal program is not modified with respect to these matters.

Padua Academy's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Padua Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Padua Academy 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 Padua Academy'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 Padua Academy's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-003, that we consider to be a significant deficiency.

Padua Academy's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Padua Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Sikich LLP

Sikich, LLP

Indianapolis, Indiana
August 7, 2015

PADUA ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEARS ENDED JUNE 30, 2013

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- Type of auditors' report issued: **unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(s) identified that are not considered to be material weaknesses? __X__ Yes ____ No

Compliance:

- Noncompliance material to financial statements noted? __X__ Yes ____ No

OMB Circular A-133:

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Reportable condition(s) identified that are not considered to be material weaknesses? __X__ Yes ____ No

Compliance with requirements applicable to each major program:

- Identification of major programs: **84.010 Title I, Part A Cluster**
  84.282 Charter Schools
- Dollar threshold used to distinguish between type A type B programs: **$ 300,000**
- Auditee qualified as low-risk auditee? ____ Yes __X__ No
- Type of auditors' report issued on compliance for major programs: **unmodified**
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__ Yes ____ No

SECTION II – FINANCIAL STATEMENTS FINDINGS
Significant Deficiency
2013-001: Schedule of Expenditures of Federal Awards
U.S. Department of Agriculture
U.S. Department of Education

Condition: The Academy did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Academy should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

SECTION II – FINANCIAL STATEMENTS FINDINGS (Continued)

2013-001: Schedule of Expenditures of Federal Awards (Continued)

During the audit of the SEFA, we noted that total federal expenditures for fiscal year 2013 were incorrectly reported with expenditures being understated by $12,861 in 2013. The net expenditures were understated in 2013 due to the omission of fixed asset purchases under the Title I, Part A Cluster. Additionally, the expenses under the Child Nutrition Cluster were reported incorrectly due to not being based off of the Sponsor Summary for the fiscal year.

We believe the deficiencies discussed above constitute a significant deficiency. The errors and omissions on the SEFA were partially caused by a lack of sufficient internal controls over the preparation of the SEFA and due to insufficient familiarity with some of the required elements of the SEFA. Audit adjustments were proposed, accepted by the Academy, and made to the SEFA presented in this report.

Criteria: Organizations should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making.

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

> "Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:
>
> (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
> (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
> (3) Provide the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
> (4) Include notes that describe the significant accounting policies used in preparing the schedule.
> (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
> (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

SECTION II – FINANCIAL STATEMENTS FINDINGS (Continued)

2013-001: Schedule of Expenditures of Federal Awards (Continued)

Cause: The Academy's contracted bookkeeping firm did not record fixed asset purchases in the Schedule of Expenditures of Federal Awards.

Effect: The Academy is not in compliance with OMB Circular A-133 for the year ended June 30, 2013.

Recommendation: We recommend the Academy update its internal controls on reporting expenditures of federal awards.

Management Corrective Action: The finding has been addressed in the two years of operation since the audit period contained in this report. The School closed as of June 30, 2015.

Compliance
2013-002: U.S. Department of Agriculture
Child Nutrition Cluster
CFDA Numbers 10.553, 10.555

Condition: During the audit, the Academy was unable to provide a list of students who were eligible for free or reduced price meals.

Criteria: The compliance supplement for the Child Nutrition Cluster requires the entity keep a record of students who are eligible for free or reduced price meals.

Cause: The Academy was unable to maintain a list of students who were eligible for free or reduced price meals.

Effect: Without the maintenance of the required records, the Academy cannot ensure it provides free or reduced price meals only to students eligible to receive them.

Recommendation: We recommend that the Academy maintains an online list of students that are eligible for free or reduced price meals.

Management Corrective Action: The finding has been addressed in the two years of operation since the audit period contained in this report. The School closed as of June 30, 2015.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-003: *Failure To Complete Audit In Accordance With The Requirements of OMB Circular A-133*
U.S. Department of Agriculture
U.S. Department of Education

Condition: An audit of the Academy's financial statements and compliance with major program requirements for the year ended June 30, 2013 was not conducted within the time frame required by OMB Circular A-133.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2013-003: Failure To Complete Audit In Accordance With The Requirements of OMB Circular A-133 (Continued)

Criteria: OMB Circular A-133, Subpart B §___.200 paragraph (a) states: " Non-Federal entities that expend $500,000 or more in a year in federal awards shall have a single or program specific audit conducted for that year in accordance with the provisions of this part." Additionally, OMB Circular A-133 requires annual audits except in certain circumstances in which case biennially. In either case, the audit must be completed within 9 months of the audit period.

Cause: The Academy had engaged with a certified public accountant to conduct the June 30, 2013 audit as required by OMB Circular A-133. However, during the course of the audit, difficulties were encountered in obtaining supporting documentation which delayed completion of the audit. This was outside the control of the Academy.

Effect: The Academy is not in compliance with OMB Circular A-133 for the year ended June 30, 2013.

Recommendation: On August 4, 2014 the Board of Directors of the ADI Schools, Inc. voted in favor of closing both of its charter schools, Andrew Academy and Padua Academy, effective June 30, 2015. As a result of this action by the Board and the finalization date of August 7, 2015 of the Academy's audit report for the year ended June 30, 2013, recommendations for these findings are unnecessary.

Management Corrective Action: In order to comply with the requirements of OMB Circular A-133, we will be engaging an audit firm to conduct an audit for fiscal year ended June 30, 2014 upon the completion of the 2013 audit.

PADUA ACADEMY
OTHER REPORT
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

Supplemental Audit Report of Padua Academy