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December 9, 2015

Charter School Board
Christel House Academy, Inc.
2717 S. East St.
Indianapolis, IN 46225

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period July 1, 2014 to June 30, 2015. 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 Christel House Academy, Inc., as of June 30, 2015, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Christel House Academy, Inc. 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, CPA
State Examiner

CHRISTEL HOUSE ACADEMY, INC.

FINANCIAL STATEMENTS

June 30, 2015

CHRISTEL HOUSE ACADEMY, INC.
FINANCIAL STATEMENTS
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Christel House Academy, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Christel House Academy, Inc. which comprise the statement of financial position as of June 30, 2015 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 audit 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 Christel House Academy, Inc. as of June 30, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the schedule of financial position - school level, and the schedule of activities - school level are presented for purposes of additional analysis and are 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of Christel House Academy, 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 Christel House Academy, Inc.'s internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 10, 2015

CHRISTEL HOUSE ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

Cash and cash equivalents	\$ 1,979,974
Grants receivable	<u>322,568</u>
Total current assets	2,302,542
Property and equipment, net	<u>688,173</u>
	<u>\$ 2,990,715</u>

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$ 321,854
Due to Christel House International, Inc.	264,576
Advance from Christel House International, Inc.	139,545
Accrued payroll	704,613
Deferred compensation	<u>170,940</u>
Total liabilities	<u>1,601,528</u>

Net Assets

Unrestricted	285,156
Temporary restricted	<u>1,104,031</u>
Total net assets	<u>1,389,187</u>
	<u>\$ 2,990,715</u>

See accompanying notes to financial statements.

CHRISTEL HOUSE ACADEMY, INC
STATEMENT OF ACTIVITIES
Year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
State support	\$ 6,778,533	\$ -	\$ 6,778,533
Grant revenue	2,754,810	-	2,754,810
Contributions	2,756,149	985,513	3,741,662
Student fees	57,753	-	57,753
Other revenue	62,717	-	62,717
Net assets released from restriction	<u>294,785</u>	<u>(294,785)</u>	<u>-</u>
Total public support and revenues	<u>12,704,747</u>	<u>690,728</u>	<u>13,395,475</u>
Expenses			
Program services			
K-12 learning programs	10,500,468	-	10,500,468
Adult learning programs	<u>2,165,534</u>	<u>-</u>	<u>2,165,534</u>
Total program services	12,666,002	-	12,666,002
General and administrative	<u>552,516</u>	<u>-</u>	<u>552,516</u>
Total expenses	<u>13,218,518</u>	<u>-</u>	<u>13,218,518</u>
Change in net assets	(513,771)	690,728	176,957
Net assets, beginning of period	<u>798,927</u>	<u>413,303</u>	<u>1,212,230</u>
Net assets, end of period	<u>\$ 285,156</u>	<u>\$ 1,104,031</u>	<u>\$ 1,389,187</u>

See accompanying notes to financial statements.

CHRISTEL HOUSE ACADEMY, INC.
STATEMENT OF CASH FLOWS
Year ended June 30, 2015

Cash flows from operating activities	
Change in net assets	\$ 176,957
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	213,103
Changes in assets and liabilities	
Grants receivable	36,000
Prepaid expense	12,876
Accounts payable	113,953
Due to Christel House International, Inc.	184,880
Accrued payroll	317,641
Deferred compensation	170,940
Net cash provided from operating activities	<u>1,226,350</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(302,226)</u>
Net cash used for investing activities	(302,226)
Cash flows from financing activities	
Payments on advance from Christel House International, Inc.	<u>(130,000)</u>
Net cash used for financing activities	<u>(130,000)</u>
Net change in cash and cash equivalents	794,124
Cash and cash equivalents, beginning of year	<u>1,185,850</u>
Cash and cash equivalents, end of year	<u>\$ 1,979,974</u>
Supplemental disclosures	
Interest paid	\$ 7,673
In-kind contributions	629,438

See accompanying notes to financial statements.

CHRISTEL HOUSE ACADEMY, INC
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2015

	Program Services- <u>K-12 Learning</u>	Program Services- <u>Adult Learning</u>	Management and <u>General</u>	Total <u>Expenses</u>
Salaries and benefits	\$ 5,602,530	\$ 1,365,312	\$ 211,369	\$ 7,179,211
Instructional services	558,263	114,894	-	673,157
Accounting and payroll services	-	-	199,390	199,390
Administrative services	22,675	1,229	8,512	32,416
Legal services	-	-	47,106	47,106
Recruitment and placement	44,284	13,534	-	57,818
Technology services	385,461	100,340	-	485,801
Professional development	39,059	12,318	-	51,377
Nursing services	81,890	-	-	81,890
Course materials and supplies	384,292	39,739	-	424,031
Nutritional support	528,245	23,807	-	552,052
Advertising	36,031	25,847	-	61,878
Travel and entertainment	26,096	18,297	-	44,393
Athletics	10,527	-	-	10,527
Vehicle and transportation	324,755	24,822	-	349,577
Facilities rental	1,635,507	235,318	-	1,870,825
Facilities (insurance, utilities, maintenance)	133,186	133,186	78,241	808,942
Equipment rental	22,784	47,736	-	70,520
Depreciation and amortization	200,554	9,155	3,394	213,103
Interest expense	-	-	4,504	4,504
	<u>\$ 10,500,468</u>	<u>\$ 2,165,534</u>	<u>\$ 552,516</u>	<u>\$ 13,218,518</u>

See accompanying notes to financial statements.

CHRISTEL HOUSE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization: Christel House Academy, Inc. (the "Academy") was incorporated in October 2001, under the laws of the State of Indiana and commenced operations in September 2002. The Academy is an inner-city Indianapolis charter school that provides outstanding education to underserved children by maintaining high standards of academic rigor, efficiency, and accountability. The Academy's primary source of revenue and support is grants from the Indiana Department of Education.

The Academy offers education, special education, and instructional staff training programs for grades K-12. Education includes enhanced national and state-mandated educational objectives, implemented with a focus on character development and academic performance. Students participate in service learning projects and are exposed to an internationally focused perspective on the world. The Academy uses a curriculum designed to promote critical thinking skills, academic achievement, and personal development through the use of in-depth investigations that engage students in community, projects, and service. Special education is an addition to the Academy's core educational program. The instructional staff training program includes in house training on staff development days and off site training for teachers and interventionists.

Christel House DORS, Inc. ("DORS") was incorporated in 2011, under the laws of the State of Indiana and commenced operations in 2011. DORS is a tuition free high school for adults over the age of 18 who still need to earn a high school diploma. Students earn college credit at Ivy Tech, while completing high school course requirements, through a Gateway to College program.

Effective June 30, 2014, the board of Christel House Academy and the board of Christel House Academy DORS voted to merge operations. These financial statements include the activity of the post-merger organization surviving under the same name, collectively the "Academy".

The Academy opened Christel House Academy West School during the year ended June 30, 2015. Also, during the year ended June 30, 2015, the Academy commenced operations in anticipation of the opening of the Christel House Academy West DORS School. The financial statements include the activity of all schools. All material inter-organizational accounts and transactions have been eliminated.

Method of Accounting: The Academy maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The Academy is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Academy is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The Academy has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that 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 benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit will be recorded.

The Academy does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The Academy recognizes interest and/or penalties related to income tax matters in income tax expense. The Academy did not have any amounts accrued for interest and penalties at June 30, 2015.

(Continued)

CHRISTEL HOUSE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Basis of Presentation: The Academy follows GAAP and reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets – The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Academy may be used at the discretion of management to support the Academy's purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes assets of the Academy related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates.

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets of the Academy related to contributions and other inflows of assets whose use by the Academy is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Academy. The Academy had no permanently restricted net assets as of June 30, 2015.

Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured up to \$250,000. For the purpose of the statement of cash flows, the Academy considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. The Academy does not accrue interest on any of its grants receivables.

Allowances: No allowance for doubtful accounts is recorded as of June, 30, 2015. Allowances are based upon prior experience and management's analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The Academy currently considers all receivables to be fully collectible.

Property and Equipment: Expenditures for property and equipment and items in excess of \$1,000 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows:

Buildings and improvements	20-40 years
Machinery and equipment	3-5 years
Textbooks	3-5 years

Impairment of Long-Lived Assets: In accordance with GAAP, the Academy reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2015, management believes that no impairment exists.

(Continued)

CHRISTEL HOUSE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2015

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments: Cash and cash equivalents and accounts payable approximate fair value because of the short maturity of these instruments. Accounts and grants receivable are not readily marketable. The Academy has estimated their fair value to be the carrying value. The carrying value of all the Academy's financial instruments approximate fair value.

Federal and State Grants: Support funded by grants is recognized as the Academy performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the Academy's grant agreements are not on a cost reimbursement basis, and support is recognized when earned. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions: Contributions are recognized in the period that the promise to give is received. Unless specifically restricted by the donor, all contributions are considered available for unrestricted use. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support. If a restriction is fulfilled in the same time period in which the contribution is received, the Academy reports the support as unrestricted.

The Academy received \$629,438 of in-kind contributions during the year ended June 30, 2015. These amounts primarily consisted of rent in the amount of \$394,463 provided at no charge by Christel House International, Inc. Other in-kind contributions received represented \$105,290 of nursing services, \$89,691 of classroom and office space, \$11,500 of furniture, and other professional services and uniform donations.

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 GAAP. 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 (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 July through June. Revenue is recognized in the year in which the educational services are rendered.

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.

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.

Advertising: The Academy expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2015 was \$61,878.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2015, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2015. Management has performed their analysis through November 10, 2015, the date the financial statements were available to be issued.

(Continued)

CHRISTEL HOUSE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2015

NOTE 2 - GRANTS RECEIVABLE

Grants receivable for the year ended June 30, 2015 represent amounts due within one year from the Indiana Department of Education relating to the following sources:

	<u>June 30, 2015</u>
Public Charter School Program Planning Grant	\$ 193,889
Title I, Part A	57,933
Twenty-First Century Community Learning Centers	42,241
Teacher Incentive Fund	11,473
Special Education Cluster (IDEA)	9,584
English Language Acquisition Grants (Title III)	3,902
Improving Teacher Quality State Grants (Title II)	1,779
Other	<u>1,767</u>
	<u>\$ 322,568</u>

NOTE 3 - PROPERTY AND EQUIPMENT

The carrying value of land, buildings and equipment consists of the following:

	<u>June 30, 2015</u>
Furniture and equipment	\$ 1,691,054
Software	260,682
Leasehold improvements	226,217
Textbooks	<u>100,346</u>
	2,278,299
Less: accumulated depreciation	<u>(1,590,126)</u>
	<u>\$ 688,173</u>

Depreciation expense for the period ended June 30, 2015 was \$213,103.

NOTE 4 - OPERATING LEASES

The Academy entered into a 25 year lease with Christel House International, Inc. for educational facilities located at 2717 South East Street, Indianapolis, Indiana. The lease expires on June 30, 2034 with an option to extend the lease for two additional five year periods.

Effective August 1, 2014, The Academy also entered into another 25 year lease with Christel House International, Inc. for educational facilities located at 55 North Tibbs Avenue, Indianapolis, Indiana. The lease expires on July 31, 2039 with an option to extend the lease for two additional five year periods.

Annual rent amounts under the leases are adjustable annually based on various occupancy costs of Christel House International, Inc., however, in the absence of an agreement, the rent will continue to be in the amount last agreed upon. Christel House International, Inc. invoices the Academy monthly for the amount due.

(Continued)

CHRISTEL HOUSE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2015

NOTE 4 - OPERATING LEASES (Continued)

During the year ended June 30, 2015, \$1,870,825 was expensed for educational facility rent, of which \$394,463 was recorded as in-kind.

The Academy also leases copiers under lease agreements with terms through April of 2020. During the year ended June 30, 2015, \$19,457 was expensed.

The future minimum rental payments required under the operating leases for the years subsequent to June 30, 2015, are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 1,593,420
2017	1,592,973
2018	1,591,632
2019	1,591,383
2020	1,580,004
Thereafter	<u>25,862,500</u>
	<u>\$ 33,811,912</u>

NOTE 5 - PENSION PLANS

The Academy elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The Academy employees are required to contribute three percent of their annual covered salary. The Academy is required to contribute an actuarially determined rate determined annually for PERF and TRF. In addition, because the plan is considered a multiple employer plan, it is only subject to certain minimum reporting requirements of the FASB Accounting Standards Code Section 715-30-55. Retirement plan expense for PERF and TRF was \$300,364 for the year ended June 30, 2015.

The Academy's faculty and certain administrative employees are participants in a 403(b) defined contribution retirement plan. All participants may contribute to the 403(b) Plan. The Academy offers an employer match of 1% of an employee's salary for those that contribute 2% or more of the same to the 403(b) Plan. In addition, employees have an option to opt out of PERF and TRF. If so, then employees receive an additional employer contribution to the 403(b) Plan of 10.5% of their salary if eligible for TRF or 10% if otherwise eligible for PERF. There was a total 403(b) employer contribution of \$306,570 for the year ended June 30, 2015.

NOTE 6 – DEFERRED COMPENSATION

The Academy sponsors an unfunded long-term incentive plan for eligible employees. Benefits are limited to amounts specified in agreements with eligible employees that are to be paid out in two installments after five and ten years of service, respectively. A liability of \$170,940 is recorded for the plan as deferred compensation on the statement of financial position as of June 30, 2015.

(Continued)

CHRISTEL HOUSE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
Year ended June 30, 2015

NOTE 7 – AFFILIATED ORGANIZATION

Christel House International, Inc. is an affiliated organization of the Academy. Christel House International, Inc. is a separately incorporated, not-for-profit organization that is not controlled by the Academy. The Academy rents its facility through Christel House International, Inc. The Academy recorded a payable to Christel House International, Inc. in the amount of \$264,576 as of June 30, 2015. If the Academy is unable to make a rental payment, it accrues an advance to Christel House International, Inc. At June 30, 2015, the Academy had \$139,545 recorded as advance from Christel House International, Inc. in the statement of financial position. The Academy also recorded interest expense of \$4,504 to Christel House International, Inc. during the year ended June 30, 2015. Interest is billed on a semi-annual basis at a rate of 3%.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the year ended June 30, 2015 are available for the following purposes:

Christel House International, Inc. directed funding	\$ 600,000
DORS West start-up	252,120
Academy West start-up	111,071
Fitness trail	87,522
College trailblazers	10,000
Rotary foundation program	8,000
Jumpstart	6,462
Musical instruments	5,272
Music room	5,000
Sodexo scholar	2,500
Other	<u>16,084</u>
	\$ <u>1,104,031</u>

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. As of June 30, 2015, the Academy had released the following restrictions:

DORS South start-up	\$ 143,347
Academy West start-up	84,790
Professional development	23,664
Remediation program	19,125
Jumpstart	6,606
College trailblazers	9,441
Saltsburg grant	3,000
Musical instruments	917
Other	<u>3,895</u>
	\$ <u>294,785</u>

SUPPLEMENTARY INFORMATION

CHRISTEL HOUSE ACADEMY, INC.
 SCHEDULE OF FINANCIAL POSITION – SCHOOL LEVEL
 June 30, 2015

	Academy South	Academy West	DORS South	DORS West	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 1,056,402	\$ 424,997	\$ 315,124	\$ 183,451	\$ -	\$ 1,979,974
Inter-network receivable	3,747	921	2,567	-	(7,235)	-
Grants receivable	95,174	219,362	-	8,032	-	322,568
Total current assets	<u>1,155,323</u>	<u>645,280</u>	<u>317,691</u>	<u>191,483</u>	<u>(7,235)</u>	<u>2,302,542</u>
Property and equipment, net	433,378	235,416	19,379	-	-	688,173
	<u>\$1,588,701</u>	<u>\$ 880,696</u>	<u>\$ 337,070</u>	<u>\$ 191,483</u>	<u>\$ (7,235)</u>	<u>\$2,990,715</u>
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable	\$ 178,882	\$ 112,985	\$ 22,262	\$ 7,725	\$ -	\$ 321,854
Inter-network payable	7,235	-	-	-	(7,235)	-
Due to Christel House International, Inc.	103,826	115,675	35,750	9,325	-	264,576
Advance from Christel House International, Inc.	139,545	-	-	-	-	139,545
Accrued payroll	446,321	113,995	127,044	17,253	-	704,613
Deferred compensation	111,540	29,700	23,265	6,435	-	170,940
Total liabilities	<u>987,349</u>	<u>372,355</u>	<u>208,321</u>	<u>40,738</u>	<u>(7,235)</u>	<u>1,601,528</u>
Net Assets						
Unrestricted	73,474	184,308	128,749	(101,375)	-	285,156
Temporarily restricted	527,878	324,033	-	252,120	-	1,104,031
Total net assets	<u>601,352</u>	<u>508,341</u>	<u>128,749</u>	<u>150,745</u>	<u>-</u>	<u>1,389,187</u>
	<u>\$1,588,701</u>	<u>\$ 880,696</u>	<u>\$ 337,070</u>	<u>\$ 191,483</u>	<u>\$ (7,235)</u>	<u>\$2,990,715</u>

CHRISTEL HOUSE ACADEMY, INC.
 SCHEDULE OF ACTIVITIES – SCHOOL LEVEL
 Year ended June 30, 2015

	Academy South	Academy West	DORS South	DORS West	Eliminations	Total
Public support and revenues						
State support	\$4,623,072	\$ 838,761	\$1,316,700	-	\$ -	\$ 6,778,533
Grant revenue	1,991,818	491,846	86,944	184,202	-	2,754,810
Contributions	1,727,149	1,622,262	92,251	300,000	-	3,741,662
Student fees	54,745	1,584	1,424	-	-	57,753
Other revenue	14,696	1,028	15,449	31,544	-	62,717
Total public support and revenues	<u>8,411,480</u>	<u>2,955,481</u>	<u>1,512,768</u>	<u>515,746</u>	<u>-</u>	<u>13,395,475</u>
Expenses						
Program services						
K-12 learning programs	7,845,073	2,655,395	-	-	-	10,500,468
Adult learning programs	-	-	1,824,591	340,943	-	2,165,534
Total program expenses	<u>7,845,073</u>	<u>2,655,395</u>	<u>1,824,591</u>	<u>340,943</u>	<u>-</u>	<u>12,666,002</u>
General and administrative	330,779	96,508	101,171	24,058	-	552,516
Total expenses	<u>8,175,852</u>	<u>2,751,903</u>	<u>1,925,762</u>	<u>365,001</u>	<u>-</u>	<u>13,218,518</u>
Change in net assets	235,628	203,578	(412,994)	150,745	-	176,957
Net assets, beginning of year	365,724	304,763	541,743	-	-	1,212,230
Net assets, end of year	<u>\$ 601,352</u>	<u>\$ 508,341</u>	<u>\$ 128,749</u>	<u>\$ 150,745</u>	<u>\$ -</u>	<u>\$ 1,389,187</u>

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Identifying Number	Total Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through the Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	FY 2014-2015	\$ 160,551
National School Lunch Program	10.555	FY 2014-2015	347,055
Summer Food Service Program for Children	10.559	FY 2014-2015	<u>28,291</u>
Total Child Nutrition Cluster			535,897
Fresh fruit and vegetable program	10.582	FY 2014-2015	<u>43,711</u>
Total U.S. Department of Agriculture			<u>579,608</u>
<u>U.S. Department of Education</u>			
Passed through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	FY 2013-2014	16,292
		FY 2014-2015	<u>676,846</u>
Total for program			<u>693,138</u>
Special Education Cluster (IDEA)			
Special Education- Grants to States	84.027	FY 2012-2014	29
		FY 2013-2015	17,871
		FY 2014-2016	<u>126,099</u>
Total for program			<u>143,999</u>
Public Charter School Program Planning Grant	84.282	A58-4-14OT-1767	30,579
		A58-4-14OT-1838	78,087
		A58-5-15OT-2813	183,000
		A58-5-15OT-2997	<u>187,626</u>
Total for program			<u>479,292</u>
Twenty-First Century Community Learning Centers	84.287	FY 2013-2014	14,565
		FY 2014-2015	215,768
		FY 2015-2016	<u>15,012</u>
Total for program			<u>245,345</u>
English Language Acquisition Grants	84.365	FY 2013-2015	7,484
		FY 2014-2016	<u>23,084</u>
Total for program			<u>30,568</u>
Improving Teacher Quality State Grants	84.367	FY 2013-2015	51,278
		FY 2014-2016	<u>24,651</u>
Total for program			<u>75,929</u>
Teacher Incentive Fund	84.374A	FY 2013-2014	155,661
		FY 2014-2015	<u>174,432</u>
Total for program			<u>330,093</u>
Total U.S. Department of Education			<u>1,998,364</u>
Total Expenditures of Federal Awards			<u>\$ 2,577,972</u>

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

CHRISTEL HOUSE ACADEMY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.
Year ended June 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Christel House Academy, Inc. and is 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.

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*

Board of Directors
Christel House Academy, Inc.
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 Christel House Academy, Inc. (the "Academy"), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of 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 over financial reporting 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.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 10, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT
ON INTERNAL CONTROL OVER COMPLIANCE

Board of Directors
Christel House Academy, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited Christel House Academy, Inc. (the "Academy") 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 Academy's major federal programs for the year ended June 30, 2015. The 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 the 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 the 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 the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2015.

(Continued)

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
November 10, 2015

CHRISTEL HOUSE ACADEMY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year ended June 30, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses? _____ Yes X No

Compliance:

Noncompliance material to financial statements noted? _____ Yes X No

OMB Circular A-133

Internal Control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None noted

Type of auditor's 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 OMB Circular A-133? _____ Yes X No

Compliance with requirements applicable to each major program:

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553	Child Nutrition Cluster
10.555	School Breakfast Program
10.559	National School Lunch Program
	Summer Food Service Program for Children
84.010	Title I, Part A Cluster
	Grants to Local Educational Agencies
84.282	Public Charter School Program Planning Grant

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

Auditee qualified as low-risk auditee? _____ Yes X No

(Continued)

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2015

FINDING 2014-001 – CONTROLS OVER FINANCIAL REPORTING

Condition: During the audit, multiple adjustments were posted. Due to the number and nature of the adjustments, they were considered to be a material weakness in the aggregate.

Status: Resolved

FINDING 2014-002 - PREPARATION OF AN ACCURATE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition: The SEFA prepared by the auditee did not contain all the required information and one grant awarded was not included on the provided SEFA.

Status: Resolved

CHRISTEL HOUSE ACADEMY, INC.
OTHER REPORT
Year ended June 30, 2015

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

Indiana State Board of Accounts Compliance Report of Christel House Academy, Inc.

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