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March 31, 2016

Charter School Board
The Phalen Leadership Academy – Indiana, Inc.
2323 North Illinois Street
Indianapolis, IN 46208

We have reviewed the Financial Statements and Independent Auditors' Report prepared by CliftonLarsonAllen 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 The Phalen Leadership 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 The Phalen Leadership 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.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**THE PHALEN LEADERSHIP ACADEMY –
INDIANA, INC.
Indianapolis, Indiana**

**FINANCIAL STATEMENTS
June 30, 2015 and 2014**

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Phalen Leadership Academy – Indiana, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of the The Phalen Leadership Academy – Indiana, Inc. (PLA), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 Accounting 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 auditors' 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 organization'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 organization'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.

Board of Directors
The Phalen Leadership Academy – Indiana, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Phalen Leadership Academy – Indiana, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 2015, on our consideration of The Phalen Leadership Academy – Indiana, 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 result 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 The Phalen Leadership Academy – Indiana, Inc.’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
December 31, 2015

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

ASSETS		2015	2014
CURRENT ASSETS			
Cash and cash equivalents		\$ 1,505,610	\$ 506,569
Grants receivable		6,062	166,836
Security deposits		60,690	60,690
Total current assets		<u>1,572,362</u>	<u>734,095</u>
FURNITURE AND EQUIPMENT			
Leasehold Improvements		5,500	-
Furniture and equipment		301,280	281,951
Books and educational materials		129,402	125,194
Computer software		34,001	20,300
Computer equipment		97,517	82,663
Total, at cost		<u>567,700</u>	<u>510,108</u>
Less accumulated depreciation		<u>190,965</u>	<u>85,496</u>
Total furniture and equipment		<u>376,735</u>	<u>424,612</u>
TOTAL ASSETS		<u><u>\$ 1,949,097</u></u>	<u><u>\$ 1,158,707</u></u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable		\$ 133,522	\$ 22,146
Accrued liabilities		28,039	79,009
Total liabilities		<u>161,561</u>	<u>101,155</u>
NET ASSETS			
Unrestricted		548,163	907,552
Temporarily restricted		1,239,373	150,000
Total net assets		<u>1,787,536</u>	<u>1,057,552</u>
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$ 1,949,097</u></u>	<u><u>\$ 1,158,707</u></u>

The accompanying notes are an integral part of the financial statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF ACTIVITIES
Years Ended June 30, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND CONTRIBUTED SUPPORT						
REVENUE						
Contributions and donations	\$ 597,658	\$ -	\$ 597,658	\$ 374,059	\$ 65,000	\$ 439,059
Grant revenue	2,365,320	1,239,373	3,604,693	1,665,749	28,139	1,693,888
School breakfast, lunch and textbook reimbursement	197,382	-	197,382	107,270	-	107,270
Other revenue	7,201	-	7,201	5,076	-	5,076
Total revenue	<u>3,167,561</u>	<u>1,239,373</u>	<u>4,406,934</u>	<u>2,152,154</u>	<u>93,139</u>	<u>2,245,293</u>
Net assets released from restrictions	150,000	(150,000)	-	758,139	(758,139)	-
Total revenue and support	3,317,561	1,089,373	4,406,934	2,910,293	(665,000)	2,245,293
EXPENSES						
Program services	2,854,788	-	2,854,788	1,854,764	-	1,854,764
Supporting services						
General and administrative	<u>822,162</u>	<u>-</u>	<u>822,162</u>	<u>518,379</u>	<u>-</u>	<u>518,379</u>
Total expenses	<u>3,676,950</u>	<u>-</u>	<u>3,676,950</u>	<u>2,373,143</u>	<u>-</u>	<u>2,373,143</u>
CHANGE IN NET ASSETS	(359,389)	1,089,373	729,984	537,150	(665,000)	(127,850)
NET ASSETS, BEGINNING OF YEAR	<u>907,552</u>	<u>150,000</u>	<u>1,057,552</u>	<u>370,402</u>	<u>815,000</u>	<u>1,185,402</u>
NET ASSETS, END OF YEAR	<u>\$ 548,163</u>	<u>\$ 1,239,373</u>	<u>\$ 1,787,536</u>	<u>\$ 907,552</u>	<u>\$ 150,000</u>	<u>\$ 1,057,552</u>

The accompanying notes are an integral part of the financial statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015

	Program Service Expenses			Supporting Services	Total Expenses
	Grants	Academics	Total Program Services	Management and General	
Salaries and benefits	\$ 64,665	\$ 1,215,336	\$ 1,280,001	\$ 453,270	\$ 1,733,271
Professional services	-	97,747	97,747	6,806	104,553
Information technology	-	55,434	55,434	254,771	310,204
Legal and accounting	-	-	-	10,872	10,872
Professional development	-	27,431	27,431	27,829	55,260
Cleaning services	-	62,389	62,389	-	62,389
Security services	-	348	348	-	348
Utilities	-	90,443	90,443	10,023	100,466
Materials and supplies	32,567	135,323	167,890	38,358	206,248
Nutritional support	-	180,363	180,363	8,503	188,866
Sales, marketing and community relations	-	34,610	34,610	-	34,610
Travel and entertainment	-	-	-	11,695	11,695
Rent and facilities	-	507,132	507,132	-	507,132
Depreciation	-	105,468	105,468	-	105,468
Insurance	-	27,348	27,348	-	27,348
Repairs and maintenance	-	218,184	218,184	-	218,184
Miscellaneous	-	-	-	37	37
	<u>\$ 97,232</u>	<u>\$ 2,757,556</u>	<u>\$ 2,854,788</u>	<u>\$ 822,162</u>	<u>\$ 3,676,950</u>

The accompanying notes are an integral part of the financial statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014

	Program Service Expenses			Supporting Services	Total Expenses
	Grants	Academics	Total Program Services	Management and General	
Salaries and benefits	\$ 296,042	\$ 688,799	\$ 984,841	\$ 341,679	\$ 1,326,520
Professional services	-	1,780	1,780	(905)	875
Information technology	3,750	43,514	47,264	30,519	77,783
Legal and accounting	-	-	-	11,201	11,201
Professional development	15,943	4,687	20,630	6,150	26,780
Cleaning services	-	36,393	36,393	11,692	48,085
Security services	-	625	625	-	625
Utilities	-	58,232	58,232	38,769	97,001
Materials and supplies	33,222	52,974	86,196	19,917	106,114
Nutritional support	-	112,165	112,165	1,336	113,501
Sales, marketing and community relations	-	43,997	43,997	966	44,963
Travel and entertainment	2,798	-	2,798	15,871	18,669
Rent and facilities	-	350,180	350,180	27,032	377,212
Depreciation	-	85,496	85,496	-	85,496
Insurance	-	11,261	11,261	13,235	24,495
Repairs and maintenance	-	12,909	12,909	628	13,536
Miscellaneous	-	-	-	288	288
	\$ 351,755	\$ 1,503,010	\$ 1,854,764	\$ 518,379	\$ 2,373,143

The accompanying notes are an integral part of the financial statements.

THE PHALEN LEADERSHIP ACADEMY - INDIANA, INC.
STATEMENT OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 729,984	\$ (127,850)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,468	85,496
Effects of changes in operating assets and liabilities:		
Grants receivable	160,774	648,164
Security deposits	-	(60,690)
Accounts payable	111,376	7,742
Accrued liabilities	(50,970)	79,009
	<u>1,056,632</u>	<u>631,871</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(57,591)	(510,108)
	<u>(57,591)</u>	<u>(510,108)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	999,041	121,763
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>506,569</u>	<u>384,806</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,505,610</u>	<u>\$ 506,569</u>

The accompanying notes are an integral part of the financial statements.

THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Phalen Leadership Academy – Indiana, Inc. (the School, PLA) was incorporated in 2012, under the laws of the State of Indiana and commenced its start-up period in March 2012 with its first school year operations commencing August 2013. The School is an inner-city Indianapolis charter school that provides a high quality, tuition free school that helps children excel in their academics and grow as well-rounded individuals through a safe and caring learning environment.

During 2015, PLA entered the planning and implementation phase of a second school. This project will be implemented in connection with Indianapolis Public Schools number 103. No school activities were conducted with this project during the year ended June 30, 2015.

NET ASSET CLASSIFICATIONS

The financial statements have been prepared in accordance with the Financial Accounting Standards Board's guidance applicable to Not-for-Profit Organizations, which requires, among other things, that the financial statements report the changes in total and of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted. The following classes of net assets are maintained:

Unrestricted net assets

The unrestricted net asset class includes general assets and liabilities of PLA. The unrestricted net assets of PLA may be used at the discretion of management to support PLA's purposes and operations.

Temporarily restricted net assets

The temporarily restricted net asset class includes assets of PLA related to contributions and support with explicit donor-imposed restrictions that have not been met as to a specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets. PLA has certain gift funds temporarily restricted to provide education assistance to staff members and also unexpended grant amounts relating to completion of a specific project.

Permanently restricted net assets

The permanently restricted net asset class includes assets of PLA for which there are donor imposed stipulations that the contribution be maintained for endowment purposes. Donor-imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose. Permanently restricted net assets include donations with stipulations the resources be maintained permanently. Generally, the income earned on the assets is available for general use and may be board designated by board-imposed stipulations. PLA had no permanently restricted net assets as of June 30, 2015 and 2014.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, PLA considers only bank demand deposits to be cash equivalents.

THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GRANTS RECEIVABLE

Grants receivable represent the uncollected portion of funds from grants awarded to the School. Management has deemed these amounts to be fully collectible within one year.

FURNITURE AND EQUIPMENT

Furniture and equipment are reported at cost, less accumulated depreciation. Improvements and replacements greater than \$500 of major property additions are capitalized. Repairs, maintenance and minor replacements are expensed.

Depreciation is provided on the straight-line method over the estimated useful lives of the assets which are as follows:

Furniture and equipment	7 - 15 years
Computer software and equipment	3 years
Books and educational materials	5 years

SUPPORT AND REVENUE

PLA reports gifts 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.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no contributions of services for the years ended June 30, 2015 and 2014.

Volunteers provide program services through the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria. Such services include volunteering at events, in classrooms and clerical assistance.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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 revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ADVERTISING

PLA expenses advertising costs as they are incurred. Advertising expense for the years ended June 30, 2015 and 2014 totaled \$29,779 and \$24,469, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

On an ongoing basis, the Organization reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Organization recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the discounted cash flows.

INCOME TAXES

PLA files income tax returns in the United States. Filings in the United States are with the federal jurisdiction and one state jurisdiction. PLA is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Organization is not considered to be a private foundation. PLA is subject to unrelated business income tax on any activities unrelated to its tax exempt purpose.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the Organization, and has concluded that as of June 30, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The U.S. federal and state income tax returns of PLA are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

SUBSEQUENT EVENTS

Management evaluated subsequent events through December 31, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to December 31, 2015, that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2015.

THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – SUMMARY OF GRANTS/CONTRACTS FUNDING

PLA received funds through the following grants and contracts for the period July 1, 2014 to June 30, 2015.

<u>Funding Source</u>	<u>CFDA #</u>	<u>Grant Contract Number</u>	<u>Grant Contract Period</u>	<u>Total Grant</u>	<u>Recognized Support</u>
Federal					
Indiana Department of Education	84.282	A58-3-13SS-1072	8/1/12 – 8/19/15	\$ 717,000	\$ 84,111
Indiana Department of Education	84.010A	15-9925	Reimbursement	143,515	143,515
Indiana Department of Education	84.027	14214-583-PN01	Reimbursement	30,991	2,852
Indiana Department of Education	84.027	14215-583-PN01	Reimbursement	30,628	30,628
Indiana Department of Education	84.027	14215-583-PN01	Reimbursement	10,000	4,637
Indiana Department of Education	10.555		Reimbursement	<u>174,273</u>	<u>174,273</u>
Total Federal government				1,106,407	440,016
Foundation and corporate					
The Mind Trust, Inc.		N/A	5/1/15 – 12/1/15	150,000	122,827
Fidelity		N/A	Building Fund	1,000,000	1,000,000
State Street		N/A	N/A	<u>25,000</u>	<u>25,000</u>
Total Foundation and corporate				<u>1,175,000</u>	<u>1,147,827</u>
Total grants and contracts				<u>\$ 2,281,407</u>	<u>\$ 1,587,843</u>

THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2 – SUMMARY OF GRANTS/CONTRACTS FUNDING (continued)

PLA received funds through the following grants and contracts for the period July 1, 2013 to June 30, 2014.

<u>Funding Source</u>	<u>CFDA #</u>	<u>Grant Contract Number</u>	<u>Grant Contract Period</u>	<u>Total Grant</u>	<u>Recognized Support</u>
Federal					
Indiana Department of Education	84.282	A58-3-13SS-1072	8/1/12 – 8/19/15	\$ 717,000	\$ 339,742
Indiana Department of Education	84.010	14-9925	Reimbursement	302,337	301,676
Indiana Department of Education	84.027	14214-583-PN01	Reimbursement	30,991	28,138
Indiana Department of Education	10.555		Reimbursement	<u>94,480</u>	<u>94,480</u>
Total Federal government				1,144,808	764,036
Foundation and corporate					
The Mind Trust, Inc.		N/A	3/5/12 – 6/30/15	1,000,000	-
IU Health Foundation		N/A	Equipment	50,000	50,000
Kaboom		N/A	Equipment	<u>15,000</u>	<u>15,000</u>
Total Foundation and corporate				<u>1,065,000</u>	<u>65,000</u>
Total grants and contracts				<u>\$ 2,209,808</u>	<u>\$ 829,036</u>

THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3 – CONCENTRATION OF CREDIT RISK

PLA maintains its cash in bank accounts at a single financial institution. At June 30, 2015, balances in the Organization’s deposit accounts were insured by the FDIC up to \$250,000 per depositor bank. As of June 30, 2015 and 2014, the Organization has cash balances on deposit in excess of insured limits.

Credit risk related to grants receivable is limited due to the School’s ability to accomplish the terms of the grants. No credit losses related to grants receivable were incurred during the year ended June 30, 2015.

PLA receives operating funds from the Indiana Department of Education which amounted to 44% and 45% of the total revenue and contributed support for the years ended June 30, 2015 and 2014, respectively. Operating revenues are determined under a state funding formula based on the number of students enrolled during the school year. PLA also received temporarily restricted funds totaling 22% of total revenue and contributed support for the year ended June 30, 2015.

Certain grants and contracts may be subject to audit by the funding sources. Such audits might result in disallowances of costs submitted for reimbursement. Management is of the opinion that such cost disallowances, if any, will not have a material effect on the accompanying financial statements. Accordingly, no amounts have been provided in the accompanying financial statements for such potential claims.

NOTE 4 – COMMITMENTS

PLA has entered into an operating lease arrangement for the rental of school facility, expiring in June 2023. Minimum rentals for years subsequent to June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 433,387
2017	437,721
2018	442,098
2019	446,519
2020 and thereafter	<u>1,831,177</u>
	<u>\$ 3,590,902</u>

Total lease expense for the years ended June 30, 2015 and 2014 under this lease amounted to \$507,132 and \$377,212, respectively.

NOTE 5 – RETIREMENT PLANS

PLA has a 403(b) retirement plan. The plan is contributory only and requires no contribution by PLA. PLA does contribute 7.5% of the salary for all teaching staff. The plan is qualified under Section 403(b)(9) of the Internal Revenue Code. Total contributions to the plan for the year ended June 30, 2015 and 2014 were \$67,531 and \$45,894, respectively.

THE PHALEN LEADERSHIP ACADEMY – INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 – RELATED PARTY TRANSACTIONS

PLA is a wholly owned subsidiary of Entrepreneurial Ventures in Education, Inc. d/b/a Summer Advantage (Summer Advantage). The School receives support from Summer Advantage for operations and equipment. There was no support received from Summer Advantage during the years ended June 30, 2015 and 2014, and there were no amounts due to or from Summer Advantage at June 30, 2015 and 2014.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of \$1,239,373 at June 30, 2015 are restricted for specific purpose restrictions, as defined by the grantors, that are expected to expire within one year.

During the year, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or time restrictions that have been satisfied. As of June 30, 2015 the following restrictions have been satisfied:

Time restriction satisfied	<u>\$ 150,000</u>
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During the year ended June 30, 2014, the following restrictions have been satisfied:

Playground equipment	\$ 65,000
Special equipment grant	28,139
Time restriction satisfied	<u>665,000</u>
	<u>\$ 758,139</u>

NOTE 8 – SUBSEQUENT EVENTS

In October 2015, the School entered into a five year contract and Preliminary Agreement for PLA in Cincinnati. This contract and Preliminary Agreement represent a commitment to start a new charter school in Cincinnati.

In December 2015, the School adopted a resolution to enter into an Education Facilities Revenue Bond Agreement for an amount not to exceed \$3,000,000 with the Indiana Finance Authority. This agreement is expected to be executed in January 2016.

This information is an integral part of the accompanying financial statements.

INDEPENDENT AUDITORS' 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 and Management
The Phalen Leadership Academy – Indiana, 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 The Phalen Leadership Academy – Indiana, Inc., which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 31, 2015.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered The Phalen Leadership Academy – Indiana, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Phalen Leadership Academy – Indiana, Inc.'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 organization'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 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 or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Phalen Leadership Academy – Indiana, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
December 31, 2015