



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B46073

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

April 4, 2016

Charter School Board  
Tindley Accelerated Schools, Inc.  
3960 Meadows Drive  
Indianapolis, IN 46205

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 the Tindley Accelerated Schools, 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.

We call your attention to the findings in the report. Pages 26 through 28 contain three current audit findings. Management's response directly follows each finding.

In addition to the report presented herein, an Indiana State Board of Accounts Compliance Report of Tindley Accelerated Schools, Inc. was prepared in accordance with the guidelines established by the State Board of Accounts.

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

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

**TINDLEY ACCELERATED SCHOOLS, INC.**

**FINANCIAL STATEMENTS**

June 30, 2015 and 2014

TINDLEY ACCELERATED SCHOOLS, INC.  
Indianapolis, Indiana

FINANCIAL STATEMENTS  
June 30, 2015 and 2014

CONTENTS

INDEPENDENT AUDITOR'S REPORT .....	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION .....	3
STATEMENTS OF ACTIVITIES.....	4
STATEMENTS OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS .....	7
SUPPLEMENTARY INFORMATION	
SCHEDULE OF FINANCIAL POSITION- SCHOOL LEVEL .....	15
SCHEDULE OF ACTIVITIES- SCHOOL LEVEL.....	17
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	19
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	20
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 .....	21
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE .....	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	25
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS .....	29
OTHER REPORT .....	31

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Tindley Accelerated Schools Inc.  
Indianapolis, Indiana

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Tindley Accelerated Schools, Inc. ("Organization"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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.

---

(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tindley Accelerated Schools 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 Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying schedules of financial position - school level and the schedules 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 audits 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 February 5, 2016 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

*Crowe Horwath LLP*

Crowe Horwath LLP

Indianapolis, Indiana  
February 5, 2016

TINDLEY ACCELERATED SCHOOLS INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2015 and 2014

---

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 740,897	\$ 866,626
Grants receivable (Note 2)	195,681	404,831
Contributions receivable (Note 3)	891,467	-
Prepaid expenses	199,772	210,711
Bond issuance costs	112,351	115,307
Land, buildings, and equipment, net (Note 4)	<u>7,696,706</u>	<u>7,741,772</u>
Total assets	<u>\$ 9,836,874</u>	<u>\$ 9,339,247</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 903,310	\$ 1,005,933
Capital leases payable (Note 6)	917,060	513,369
Bonds and notes payable (Note 7)	<u>5,499,418</u>	<u>5,694,041</u>
Total liabilities	7,319,788	7,213,343
Net assets		
Unrestricted	1,031,103	1,291,364
Temporarily restricted (Note 9)	<u>1,485,983</u>	<u>834,540</u>
Total net assets	<u>2,517,086</u>	<u>2,125,904</u>
Total liabilities and net assets	<u>\$ 9,836,874</u>	<u>\$ 9,339,247</u>

---

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS INC.  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public support and revenues</b>			
Federal and state grants	\$ 13,385,581	\$ -	\$ 13,385,581
Contributions	1,703,117	990,219	2,693,336
Program service fees	178,418	-	178,418
Investment income	1,303	-	1,303
Net assets released from restrictions	<u>338,776</u>	<u>(338,776)</u>	<u>-</u>
Total public support and revenues	15,607,195	651,443	16,258,638
<b>Expenses</b>			
Elementary School	4,445,170	-	4,445,170
Middle School	4,391,573	-	4,391,573
High School	2,494,022	-	2,494,022
General and administrative	3,458,098	-	3,458,098
Fundraising	<u>332,387</u>	<u>-</u>	<u>332,387</u>
Total expenses	<u>15,121,250</u>	<u>-</u>	<u>15,121,250</u>
Change in net assets from continuing operations	485,945	651,443	1,137,388
Loss from discontinued operations (Note 1)	<u>(746,206)</u>	<u>-</u>	<u>(746,206)</u>
<b>Change in net assets</b>	(260,261)	651,443	391,182
Net assets, beginning of year	<u>1,291,364</u>	<u>834,540</u>	<u>2,125,904</u>
<b>Net assets, end of year</b>	<u>\$ 1,031,103</u>	<u>\$ 1,485,983</u>	<u>\$ 2,517,086</u>

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS INC.  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public support and revenues</b>			
Federal and state grants	\$ 9,911,276	\$ -	\$ 9,911,276
Contributions	548,143	367,177	915,320
Program service fees	177,804	-	177,804
Investment income	2,243	-	2,243
Net assets released from restrictions	<u>1,094,434</u>	<u>(1,094,434)</u>	<u>-</u>
Total public support and revenues	11,733,900	(727,257)	11,006,643
<b>Expenses</b>			
Elementary School	1,331,879	-	1,331,879
Middle School	4,391,308	-	4,391,308
High School	1,667,774	-	1,667,774
General and administrative	3,907,803	-	3,907,803
Fundraising	<u>169,398</u>	<u>-</u>	<u>169,398</u>
Total expenses	<u>11,468,162</u>	<u>-</u>	<u>11,468,162</u>
Change in net assets from continuing operations	265,738	(727,257)	(461,519)
Loss (income) from discontinued operations (Note 1)	<u>(522,534)</u>	<u>1,900</u>	<u>(520,634)</u>
<b>Change in net assets</b>	(256,796)	(725,357)	(982,153)
Net assets, beginning of year	<u>1,548,160</u>	<u>1,559,897</u>	<u>3,108,057</u>
<b>Net assets, end of year</b>	<u>\$ 1,291,364</u>	<u>\$ 834,540</u>	<u>\$ 2,125,904</u>

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS INC.  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 391,182	\$ (982,153)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,110,011	939,566
Loss on disposal of fixed assets	225,136	-
Change in assets and liabilities		
Grants receivable	209,150	(216,308)
Contributions receivable	(891,467)	-
Prepaid expenses	10,940	(174,356)
Accounts payable and accrued expenses	(102,624)	380,914
Vacation accrual	-	(98,005)
Net cash from operating activities	<u>952,328</u>	<u>(150,342)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>(441,615)</u>	<u>(936,475)</u>
Net cash from investing activities	<u>(441,615)</u>	<u>(936,475)</u>
<b>Cash flows from financing activities</b>		
Repayment on capital lease obligation	(441,819)	(201,194)
Repayment on bonds payable	(194,623)	(205,959)
Borrowings on bonds and notes payable	-	508,750
Net cash from financing activities	<u>(636,442)</u>	<u>101,597</u>
Net change in cash and cash equivalents	(125,729)	(985,220)
Cash and cash equivalents, beginning of year	<u>866,626</u>	<u>1,851,846</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 740,897</u>	<u>\$ 866,626</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 196,122	\$ 173,504
Capital lease obligation	845,509	336,784

See accompanying notes to financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Description of Organization: Tindley Accelerated Schools Inc. ("Organization") began operations in 2002 as the Charter For Accelerated Learning, Inc. to provide educational services including charter school management, turnaround school services, and education consulting. During fiscal year 2014, the Organization changed its name to Tindley Accelerated Schools Inc.

In 2004, Tindley Accelerated Schools Inc. launched the Charles A. Tindley Accelerated School as an open-enrollment charter school serving grades 6-12. From the beginning, the Organization's vision has been to ensure 100 percent of its students gain acceptance to a fully-accredited four-year college or university. With this in mind, every student is required to complete a rigorous high school program culminating in authentic courses.

In August 2012, the Organization opened the Tindley Preparatory Academy, which is an extension of the Charles A. Tindley Accelerated School, serving as an all-male middle school designed to spark higher levels of academic achievement in males. The Organization was also chosen by the Indiana State Board of Education as the Turnaround School Operator for Arlington High School, a college preparatory Indianapolis Public School educating students in grades 7-12, beginning with the 2012-2013 school year.

In August 2013, the Organization opened the Tindley Renaissance Elementary School, an open enrollment charter elementary school, and Tindley Collegiate Academy, serving as an all-female middle school designed to help young girls become successful scholars regardless of their past academic performance.

In August 2014, the Organization opened a new school, Tindley Summit Elementary School, which is an extension of the Charles A. Tindley Accelerated School. The Tindley Summit Elementary School is serving as an open enrollment charter elementary school designed for children in kindergarten through third grade.

The financial statements include the activity of the seven schools. All material inter-organizational accounts and transactions have been eliminated.

The School Corporation was established under the laws of the State of Indiana. The School Corporation operates under a Board of School Trustees.

Discontinued Operations: In September 2014, the Organization made the decision to terminate the contract with the Indiana State Board of Education to serve as the Turnaround School Operator for Arlington High School at the conclusion of the 2014-2015 school year. The net operating results of Arlington High School are reflected as losses on discontinued operations in the statement of activities for the years ended June 30, 2015 and 2014 in accordance with ASC 205-20. Management recorded a loss on disposal of fixed assets totaling \$225,136 in relation to this decision. The assets and liabilities of Arlington High School as of June 30, 2015 and 2014 are presented on the schedules of financial position- school level. There are no assets held for sale at June 30, 2015.

Method of Accounting: The Organization 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 Organization 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 Organization is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

TINDLEY ACCELERATED SCHOOLS INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The Organization 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 Organization does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The Organization recognizes interest and/or penalties related to income tax matters in income tax expense. The Organization did not have any amounts accrued for interest and penalties at June 30, 2015 and 2014.

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.

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 Organization 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 Organization does not accrue interest on any of its grants receivables.

Contributions Receivable: Contributions receivables that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a discount rate commensurate with the risks involved. Amortization of discounts is included in contribution revenue.

Allowances: No allowance for doubtful accounts is recorded as of June, 30, 2015 and 2014. The 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 Organization currently considers all receivables to be fully collectible.

Bond issuance costs: All fees and other costs relative to the issuance of the tax-exempt bonds have been recorded as an asset and amortized over the life of the related bonds.

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	40 years
Machinery and equipment	3-5 years
Textbooks	3-5 years

---

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Impairment of Long-Lived Assets: In accordance with GAAP, the Organization 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 and 2014, management believes that no impairment exists.

Basis of Presentation: The Organization 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 Organization may be used at the discretion of management to support the Organization’s purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes assets of the Organization 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 Organization related to contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets as of June 30, 2015 and 2014.

Federal and State Grants: Support funded by grants is recognized as the Organization performs the contracted services under various grant agreements. Grant revenue is typically recognized as earned as the eligible expenses are incurred. Some of the Organization’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.

Functional and Allocated Expenses: Expenses are charged directly to activities when specifically identifiable. All other costs are allocated to the activities based upon various actual statistical bases. Salaries and related expenses are charged based on the relative amount of time historically spent by personnel.

Advertising: The Organization expenses advertising costs as incurred. During 2015 and 2014, expenses totaling \$81,121 and \$55,589 were incurred for advertising.

Reclassifications: Certain reclassifications have been made to present last year’s financial statements on a basis comparable to the current year’s financial statements. These reclassifications had no effect on the change in net assets or total net assets.

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 February 5, 2016, the date the financial statements were available to be issued.

TINDLEY ACCELERATED SCHOOLS INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

In August 2015, the Organization opened a new school, Tindley Genesis Elementary School, which is an extension of the Charles A. Tindley Accelerated School. The Tindley Genesis Elementary School is serving as an open enrollment charter elementary school designed for children in kindergarten through third grade. Students at Genesis engage in concentrated music instruction throughout the school day which includes classes in instrumental music, singing, piano, and general music. The school incurred start-up costs during fiscal year 2015.

**NOTE 2 - GRANTS RECEIVABLE**

Grants receivable are due within one year and are as follows:

	<u>2015</u>	<u>2014</u>
State support	\$ -	\$ 64,598
Federal support	195,681	337,856
Other	-	2,377
	<u>\$ 195,681</u>	<u>\$ 404,831</u>

**NOTE 3 - CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Unconditional contributions receivable	\$ 903,481	\$ -
Less unamortized present value discount	(12,014)	-
	<u>\$ 891,467</u>	<u>\$ -</u>
Amounts due in:		
Less than one year	\$ 552,648	\$ -
One to five years	350,833	-
	903,481	-
Less unamortized present value discount	(12,014)	-
	<u>\$ 891,467</u>	<u>\$ -</u>

Qualifying contributions receivable were discounted using the IRS discount rate of 2.0% for 2015 and 2014.

Management determined that no allowance for doubtful accounts was necessary for the years ended June 30, 2015 and 2014, respectively.

---

(Continued)

TINDLEY ACCELERATED SCHOOLS INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**NOTE 4 - LAND, BUILDINGS AND EQUIPMENT**

At June 30, the carrying value of land, buildings and equipment consists of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 125,000	\$ 125,000
Buildings and improvements	6,254,769	6,325,337
Machinery and equipment	4,741,050	3,910,687
Textbooks	<u>853,373</u>	<u>908,730</u>
	11,974,192	11,269,754
Less: accumulated depreciation	<u>(4,277,486)</u>	<u>(3,527,982)</u>
	<u>\$ 7,696,706</u>	<u>\$ 7,741,772</u>

Depreciation expense for the year ended June 30, 2015 and 2014 was \$1,107,055 and \$939,566.

**NOTE 5 - LEASES**

The Organization leases three buildings and certain equipment under various non-cancelable operating leases which expire at various dates through June 2042. In June 2013, the Organization entered into a building lease for the Tindley Preparatory Academy which includes an option to purchase the building between year 3 and year 6 of the agreement that management intends to exercise by June 30, 2019. If this option is not exercised, the lease may be continued for an additional 23 years for a total amount of \$41,513,676.

Future minimum lease payments under operating leases at June 30, 2015, are as follows:

2016	\$ 1,817,736
2017	1,269,899
2018	1,645,498
2019	1,376,736
2020	<u>2,070</u>
	<u>\$ 6,111,939</u>

Operating lease expenses for the year ended June 30, 2015 and 2014 was approximately \$1,894,862 and \$1,011,527.

**NOTE 6 - CAPITAL LEASE PAYABLE**

The Organization has entered into various capital lease agreements for security systems and furniture which expire at various dates through December 2018. Principal and interest payments are due monthly. The gross amount of equipment and related amortization recorded under the capital lease is as follows:

	<u>2015</u>	<u>2014</u>
Furniture	\$ 1,603,682	\$ 758,172
Accumulated amortization	<u>(406,300)</u>	<u>(160,621)</u>
	<u>\$ 1,197,382</u>	<u>\$ 597,551</u>

Amortization of assets held under capital leases is included with depreciation expense.

---

(Continued)

TINDLEY ACCELERATED SCHOOLS INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**NOTE 6 - CAPITAL LEASE PAYABLE** (continued)

Future minimum lease payments under the capital lease at June 30, 2015, are as follows:

2016	429,012
2017	374,341
2018	165,183
2019	<u>55,716</u>
Total	1,024,252
Interest due	<u>(107,192)</u>
	<u>\$ 917,060</u>

**NOTE 7 - BONDS AND NOTES PAYABLE**

Bonds and notes payable consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
In 2013, the Indiana Finance Authority issued \$4,400,000 of Educational Facilities Revenue Bonds Series 2013. The funds were loaned to the Organization for the purpose of refunding the Economic Development Bonds series 2004 issued by the Indiana Finance Authority and to partially fund the purchase of the building in which the Organization is located. The bonds are payable in monthly installments, including variable interest at the prime rate minus 0.75% (2.5% at June 30, 2015 and 2014), maturing in July 2033.	\$ 4,069,063	\$ 4,229,719
In 2013, the School secured a five year term loan on a 20 year amortization. The loan is payable in monthly installments, including variable interest at the prime rate (3.25% at June 30, 2015 and 2014), maturing in July 2018.	930,355	964,322
In 2012, the School secured a \$500,000 loan from a non-profit fund to support expansion of the charter school network. The loan accrues 1% interest per annum with principal and interest due on June 30, 2017. The loan agreement includes a clause for potential loan forgiveness of \$250,000 if certain growth milestones are met by fiscal year 2016.	<u>500,000</u>	<u>500,000</u>
	<u>\$ 5,499,418</u>	<u>\$ 5,694,041</u>

The bond issue is secured by loan agreements with the Indiana Finance Authority. The bond issue was a direct purchase from the National Bank of Indianapolis and does not require a letter of credit. Under the direct purchase agreement, the Organization is subject to certain covenants, primarily financial coverage ratios. At June 30, 2015, the Organization reported compliance with the covenants. At June 30, 2014, the Organization was not in compliance with certain ratios. The Organization obtained a waiver from the bank through June 30, 2015.

---

(Continued)

TINDLEY ACCELERATED SCHOOLS INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

---

**NOTE 7 - BONDS AND NOTES PAYABLE** (continued)

Interest expense for the year ended June 30, 2015 and 2014 was \$136,541 and \$152,339.

Estimated future principal payments due on long term debt are:

2016	\$ 217,664
2017	723,902
2018	229,952
2019	1,005,584
2020	198,658
Thereafter	<u>3,123,658</u>
	<u>\$ 5,499,418</u>

**NOTE 8 - LINE OF CREDIT**

In February 2015, the Organization secured a \$750,000 line of credit from the Charter School Growth Fund for working capital and cash flow needs. The line includes an interest rate of 1% per annum with all accrued unpaid interest due at maturity. The maturity date is August 6, 2016. At June 30, 2015 and 2014, there was no outstanding balance and there was no activity during the fiscal year. There was no interest expense during 2015 and 2014. Subsequent to June 30, 2015, the Organization borrowed \$250,000 on the line of credit.

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2015</u>	<u>2014</u>
Charter School Growth Fund	\$ 500,000	\$ 750,000
Athletics	78,464	28,464
Impact 100	-	26,837
Industrial studio	-	12,517
Denny Chin music fund	-	5,000
SAT Prep	3,818	3,818
Physics and chemistry laboratories	250,000	-
Capital campaign – time restriction	641,467	-
Other	<u>12,234</u>	<u>7,904</u>
	<u>\$ 1,485,983</u>	<u>\$ 834,540</u>

---

(Continued)

TINDLEY ACCELERATED SCHOOLS INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

---

**NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS** (continued)

Net assets are released from donor restrictions by incurring expenditures satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from restrictions during the years ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Charter School Growth Fund	\$ 250,000	\$ 1,000,000
Athletics	-	1,400
Impact 100	47,782	71,854
Industrial studio	12,517	-
Denny Chin music fund	5,000	-
Other	<u>23,477</u>	<u>21,180</u>
	<u>\$ 338,776</u>	<u>\$ 1,094,434</u>

**NOTE 10 - PENSION PLAN**

The Organization elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teacher's 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 Organization employees are required to contribute three percent of their annual covered salary. The Organization 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 Codification Section 715-30-55. Retirement plan expense for the years ended June 30, 2015 and 2014 was \$677,901 and \$627,445, respectively.

**SUPPLEMENTARY INFORMATION**

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF FINANCIAL POSITION- SCHOOL LEVEL  
June 30, 2015

	Charles A. Tindley Accelerated School	Arlington High School	Tindley Preparatory Academy	Tindley Collegiate Academy	Tindley Renaissance Academy	Tindley Summit Academy	Tindley Genesis Academy	Eliminations	Total
<b>ASSETS</b>									
Cash and cash equivalents	\$ 366,498	\$ 33,640	\$ 5,666	\$ 233,054	\$ 126,560	\$ (27,385)	\$ 2,864	\$ -	\$ 740,897
Grants receivable	4,832	110,565	7,150	48,516	7,154	15,418	2,046	-	195,681
Contributions receivable	891,467	-	-	-	-	-	-	-	891,467
Due from related parties	2,344,744	-	44,055	814,118	714,980	-	-	(3,917,897)	-
Prepaid expenses	97,285	7,622	37,202	29,519	27,624	520	-	-	199,772
Bond issuance costs	112,351	-	-	-	-	-	-	-	112,351
Land, buildings, and equipment, net	5,678,538	-	342,908	535,170	728,998	344,605	66,487	-	7,696,706
Total assets	<u>\$ 9,495,715</u>	<u>\$ 151,827</u>	<u>\$ 436,981</u>	<u>\$ 1,660,377</u>	<u>\$ 1,605,316</u>	<u>\$ 333,158</u>	<u>\$ 71,397</u>	<u>\$ (3,917,897)</u>	<u>\$ 9,836,874</u>
<b>LIABILITIES AND NET ASSETS</b>									
Liabilities									
Accounts payable and accrued expenses	374,476	160,860	70,304	131,873	107,832	51,510	6,455	-	903,310
Due to related parties	1,552,911	-	694,422	552,584	626,278	369,150	122,552	(3,917,897)	-
Capital leases payable	101,414	-	41,372	158,874	381,671	211,119	22,610	-	917,060
Bonds and notes payable	5,499,418	-	-	-	-	-	-	-	5,499,418
Total liabilities	7,528,219	160,860	806,098	843,331	1,115,781	631,779	151,617	(3,917,897)	7,319,788
Net Assets									
Unrestricted	493,747	(9,033)	(371,497)	813,046	488,627	(303,567)	(80,220)	-	1,031,103
Temporarily restricted	1,473,749	-	2,380	4,000	908	4,946	-	-	1,485,983
Total net assets	1,967,496	(9,033)	(369,117)	817,046	489,535	(298,621)	(80,220)	-	2,517,086
Total liabilities and net assets	<u>\$ 9,495,715</u>	<u>\$ 151,827</u>	<u>\$ 436,981</u>	<u>\$ 1,660,377</u>	<u>\$ 1,605,316</u>	<u>\$ 333,158</u>	<u>\$ 71,397</u>	<u>\$ (3,917,897)</u>	<u>\$ 9,836,874</u>

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF FINANCIAL POSITION- SCHOOL LEVEL  
June 30, 2014

	Charles A. Tindley Accelerated School	Arlington High School	Tindley Preparatory Academy	Tindley Collegiate Academy	Tindley Renaissance Academy	Tindley Summit Academy	Eliminations	Total
<b>ASSETS</b>								
Cash and cash equivalents	\$ 752,386	\$ 22,862	\$ 41,933	\$ 25,415	\$ 24,030	\$ -	\$ -	\$ 866,626
Grants receivable	71,992	95,632	72,248	50,003	14,706	100,250	-	404,831
Contributions receivable	-	-	-	-	-	-	-	-
Due from related parties	2,147,409	100,000	45,476	731,118	475,887	-	(3,499,890)	-
Prepaid expenses	38,523	32,620	54,233	49,377	35,958	-	-	210,711
Bond issuance costs	115,307	-	-	-	-	-	-	115,307
Land, buildings, and equipment, net	<u>5,849,659</u>	<u>550,581</u>	<u>498,726</u>	<u>389,495</u>	<u>453,311</u>	<u>-</u>	<u>-</u>	<u>7,741,772</u>
Total assets	<u>\$ 8,975,276</u>	<u>\$ 801,695</u>	<u>\$ 712,616</u>	<u>\$ 1,245,408</u>	<u>\$ 1,003,892</u>	<u>\$ 100,250</u>	<u>\$ (3,499,890)</u>	<u>\$ 9,339,247</u>
<b>LIABILITIES AND NET ASSETS</b>								
Liabilities								
Accounts payable and accrued expenses	375,922	139,147	165,466	125,336	200,062	-	-	1,005,933
Due to related parties	1,284,000	1,141,844	474,353	274,493	224,950	100,250	(3,499,890)	-
Capital leases payable	-	107,303	125,445	128,447	152,174	-	-	513,369
Bonds and notes payable	<u>5,694,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,694,041</u>
Total liabilities	<u>7,353,963</u>	<u>1,388,294</u>	<u>765,264</u>	<u>528,276</u>	<u>577,186</u>	<u>100,250</u>	<u>(3,499,890)</u>	<u>7,213,343</u>
Net Assets								
Unrestricted	836,562	(593,499)	(65,165)	688,380	425,086	-	-	1,291,364
Temporarily restricted	<u>784,751</u>	<u>6,900</u>	<u>12,517</u>	<u>28,752</u>	<u>1,620</u>	<u>-</u>	<u>-</u>	<u>834,540</u>
Total net assets	<u>1,621,313</u>	<u>(586,599)</u>	<u>(52,648)</u>	<u>717,132</u>	<u>426,706</u>	<u>-</u>	<u>-</u>	<u>2,125,904</u>
Total liabilities and net assets	<u>\$ 8,975,276</u>	<u>\$ 801,695</u>	<u>\$ 712,616</u>	<u>\$ 1,245,408</u>	<u>\$ 1,003,892</u>	<u>\$ 100,250</u>	<u>\$ (3,499,890)</u>	<u>\$ 9,339,247</u>

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF ACTIVITIES - SCHOOL LEVEL  
Year ended June 30, 2015

	Charles A. Tindley Accelerated School	Arlington High School	Tindley Preparatory Academy	Tindley Collegiate Academy	Tindley Renaissance Academy	Tindley Summit Academy	Tindley Genesis Academy	Eliminations	Total before Discontinued Operations	Activity from Discontinued Operations	Total after Discontinued Operations
<b>Public support and revenues</b>											
Federal and state grants	\$ 2,152,036	\$ 4,443,261	\$ 2,456,437	\$ 2,967,710	\$ 3,985,366	\$ 1,640,235	\$ 183,797	\$ -	\$ 17,828,842	\$ (4,443,261)	\$ 13,385,581
Contributions	2,590,546	4,000	4,931	-	52,176	7,075	38,608	-	2,697,336	(4,000)	2,693,336
Program service fees	524,094	6,875	38,588	40,813	16,534	3,148	-	(444,759)	185,293	(6,875)	178,418
Investment income	687	193	137	227	212	34	6	-	1,496	(193)	1,303
Gain/(loss) on due to/from related party	(1,405,890)	1,405,490	-	-	400	-	-	-	-	-	-
Transfers of equipment	28,471	(81,718)	-	-	8,054	22,820	22,373	-	-	-	-
Loss on disposal of fixed assets	-	(225,136)	-	-	-	-	-	-	(225,136)	225,136	-
Total public support and revenues	3,889,944	5,552,965	2,500,093	3,008,750	4,062,742	1,673,312	244,784	(444,759)	20,487,831	(4,229,193)	16,258,638
<b>Expenses</b>											
Elementary School	20	-	-	-	2,951,946	1,382,180	111,024	-	4,445,170	-	4,445,170
Middle School	150,898	1,268,104	2,063,116	2,177,559	-	-	-	-	5,659,677	(1,268,104)	4,391,573
High School	2,494,022	1,305,503	-	-	-	-	-	-	3,799,525	(1,305,503)	2,494,022
General and administrative	729,698	2,373,074	727,330	678,024	1,000,003	569,502	198,300	(444,759)	5,831,172	(2,373,074)	3,458,098
Fundraising	169,123	28,718	26,116	53,253	47,964	20,251	15,680	-	361,105	(28,718)	332,387
Total expenses	3,543,761	4,975,399	2,816,562	2,908,836	3,999,913	1,971,933	325,004	(444,759)	20,096,649	(4,975,399)	15,121,250
Change in net assets	346,183	577,566	(316,469)	99,914	62,829	(298,621)	(80,220)	-	391,182	\$ (746,206)	\$ 1,137,388
Net assets, beginning of year	1,621,313	(586,599)	(52,648)	717,132	426,706	-	-	-	2,125,904		
Net assets, end of year	\$ 1,967,496	\$ (9,033)	\$ (369,117)	\$ 817,046	\$ 489,535	\$ (298,621)	\$ (80,220)	\$ -	\$ 2,517,086		

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF ACTIVITIES - SCHOOL LEVEL  
Year ended June 30, 2014

	Charles A. Tindley Accelerated School	Arlington High School	Tindley Preparatory Academy	Tindley Collegiate Academy	Tindley Renaissance Academy	Tindley Summit Academy	Eliminations	Total before Discontinued Operations	Activity from Discontinued Operations	Total after Discontinued Operations
<b>Public support and revenues</b>										
Federal and state grants	\$ 2,042,230	\$ 5,663,717	\$ 2,449,277	\$ 2,678,452	\$ 2,641,066	\$ 100,250	\$ -	\$ 15,574,992	(5,663,717)	9,911,276
Contributions	265,441	484,687	11,241	388,482	250,156	-	-	1,400,007	(484,687)	915,320
Program service fees	399,802	16,456	51,271	45,730	14,363	-	(333,362)	194,260	(16,456)	177,804
Investment income	1,550	174	222	239	232	-	-	2,417	(174)	2,243
Total public support and revenues	2,709,023	6,165,034	2,512,011	3,112,903	2,905,817	100,250	(333,362)	17,171,676	(6,156,034)	11,006,643
<b>Expenses</b>										
Elementary School	-	-	-	-	1,321,903	9,976	-	1,331,879	-	1,331,879
Middle School	913,583	1,777,894	1,905,373	1,572,352	-	-	-	6,169,202	(1,777,894)	4,391,308
High School	1,667,774	1,781,997	-	-	-	-	-	3,449,771	(1,781,997)	1,667,774
General and administrative	1,362,152	3,081,056	900,853	780,045	1,108,725	89,390	(333,362)	6,988,859	(3,081,056)	3,907,803
Fundraising	41,009	44,721	35,647	43,374	48,483	884	-	214,118	(44,721)	169,398
Total expenses	3,984,518	6,685,668	2,841,873	2,395,771	2,479,111	100,250	(333,362)	18,153,829	(6,685,668)	11,468,162
Change in net assets	(1,275,495)	(520,634)	(329,862)	717,132	426,706	-	-	(982,153)	\$ (520,634)	\$ (461,519)
Net assets, beginning of year	2,896,808	(65,965)	277,214	-	-	-	-	3,108,057		
Net assets, end of year	\$ 1,621,313	\$ (586,599)	\$ (52,648)	\$ 717,132	\$ 426,706	\$ -	\$ -	\$ 2,125,904		

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2015

Federal Grantor/Pass-through Grantor/ Program Title	CFDA Number	Pass-through Number	Amount
<u>U.S. Department of Agriculture</u>			
Pass-Through Indiana Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	K376	\$ 202,776
National School Lunch Program	10.555	K376	<u>520,938</u>
Total Child Nutrition Cluster			723,714
<u>U.S. Department of Education</u>			
Pass-Through Indiana Department of Education:			
Title I Cluster			
Title I Grants to Local Educational Agencies	84.010	2013-2014	33,593
Title I Grants to Local Educational Agencies	84.010	2014-2015	1,272,363
Title I – School Improvement Grant	84.010	2014-2015	<u>1,190,000</u>
Total Title I Cluster			2,495,956
Special Education Cluster			
Special Education - Grants to States	84.027	2013-2014	63,908
Special Education - Grants to States	84.027	2014-2015	<u>343,247</u>
Total Special Education Cluster			407,155
Fund for the Improvement of Education	84.215	2013-2014	112,831
Charter Schools	84.282	A58-3-13SS-1065 A58-3-13SS-1394 A58-4-13SS-1720 A58-4-14OT-2090 A58-4-14OT-2091	1,051,931
Improving Teacher Quality State Grants Cluster			
Improving Teacher Quality State Grants (Title II)	84.367	2013-2014	23,744
Improving Teacher Quality State Grants (Title II)	84.367	2014-2015	<u>133,249</u>
Total Improving Teacher Quality Grants Cluster			156,993
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 4,948,580</u></b>

See accompanying note to the Schedule of Expenditures of Federal Awards

TINDLEY ACCELERATED SCHOOLS INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2015

---

**NOTE 1 - BASIS OF PRESENTATION**

This schedule includes the federal awards activity of the Tindley Accelerated Schools Inc. and is presented on the accrual basis of accounting. The information in this schedule 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 this schedule may differ from amounts presented in, or used in the preparation of, the basic 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 Trustees  
Tindley Accelerated Schools 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 Tindley Accelerated Schools Inc. ("Organization"), which comprise the statement of financial position as of June 30, 2015, 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 February 5, 2016.

#### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

*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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness (Finding 2015-001).

*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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies (Finding 2015-002 and 2015-003).

---

(Continued)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.

## **Management's Response to Findings**

The Organization's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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  
February 5, 2016

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

Board of Trustees  
Tindley Accelerated Schools Inc.  
Indianapolis, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited the Tindley Accelerated Schools Inc.'s ("Organization") 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 the Organization's major federal program for the year ended June 30, 2015. The Organization's major federal program is 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 the Organization's major federal program 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 Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Tindley Accelerated Schools Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

---

(Continued)

## Report on Internal Control Over Compliance

Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 Organization'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  
February 5, 2016

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2015

---

**SECTION 1 - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified not considered to be material weaknesses?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal Control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified not considered to be material weaknesses?  Yes  None Reported

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  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies – Cluster

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

Auditee qualified as low-risk auditee?  Yes  No

---

(Continued)

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2015

---

**SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS.**

**FINDING 2015-001 – CONTROLS OVER FINANCIAL REPORTING**

**Criteria:** Applicable standards state that management is responsible for having internal controls in place to provide appropriate and reliable financial reports, and to select and apply appropriate accounting principles. Management is not required to prepare their financial reports, but management needs to demonstrate the level of qualifications and controls to prepare their financial reports without significant deficiencies in these controls.

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

- Increase fixed assets and capital lease liability by approximately \$534,000 for equipment leases entered into which include bargain purchase options.
- Decrease capital lease liability and rent expense by approximately \$80,000 for payments made on capital leases improperly expensed.
- Increase accumulated depreciation and depreciation expense by approximately \$63,000 for capital lease equipment not depreciated.
- Increase pledge receivables and contribution revenue by \$105,000 for two improperly excluded unconditional pledge commitments.
- Decrease pledge receivables and contribution revenue by \$250,000 for pledge commitment with unmet conditional promise to give at June 30, 2015
- Various entries were posted to correct net asset balances due to improper recording of restricted revenues in accordance with GAAP. The net impact of the entries is an approximate \$27,000 increase to contribution revenue.

**Cause/Effect:** The above condition appears to be the result of the inability to fully implement a review process. The effect is a lack of materially accurate financial reporting by management.

**Questioned Cost:** None

**Recommendation:** We recommend that management thoroughly review monthly and annual account reconciliations. This will allow for the general ledger to reflect a complete and accurate representation of financial results. We also recommend management analyze each lease agreement entered into for proper accounting treatment.

**Management's Response:** Accept – Process changes will be fully implemented by the close of the 2016 fiscal year.

**Corrective Action:** Effective July 1, 2015, Tindley Accelerated Schools transitioned accounting services away from an outsourced bookkeeping firm to an "in house" solution. In advance of the transition, Tindley did not have all practices in place, and are in the process of developing the appropriate procedures to be in place by June 30, 2016.

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2015

---

**FINDING 2015-002 – MANAGEMENT OVERSIGHT OF OUTSOURCED BOOKKEEPERS**

<b>Criteria:</b>	Auditing standards state that a lack of internal controls over journal entries is indicative of at least a significant deficiency in internal controls.
<b>Condition:</b>	Journal entries and account reconciliations are performed by the outsourced bookkeeping firm and reviewed internally by the bookkeeping firm; however, there is not a documented review from School management.
<b>Cause/Effect:</b>	As a result of the underlying condition, a financial statement misstatement may exist and not be detected and corrected by management in a timely manner.
<b>Questioned Cost:</b>	None.
<b>Recommendation:</b>	We recommend management institute additional procedures that provide an in-depth review of work performed by the outsourced bookkeeping firm on a periodic basis and to document this review accordingly.
<b>Management's Response:</b>	Accept - Process changes implemented in fiscal year 2016.
<b>Corrective Action:</b>	Tindley Accelerated Schools implemented a new workflow system on July 1, 2015, establishing an improved review and approval process. As a result, Tindley Accelerated Schools transitioned away from an outsourced bookkeeping solution on June 30, 2015.

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2015

---

**FINDING 2015-003 - PREPARATION OF AN ACCURATE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

- Criteria:** OMB Circular A-133, Section 310(b) requires the auditee prepare a complete and accurate SEFA.
- Condition:** During our testing of the SEFA prepared by the auditee, we noted several errors in the dollar amounts shown on the SEFA compared to the general ledger and noted grant pass through numbers were missing. Further, there is no documented, secondary review of the SEFA to ensure the completeness and accuracy of the report.
- Cause/Effect:** The auditee provided to the auditor a SEFA for each school which was consolidated by the auditor. There is a reconciliation between the manually prepared grant reports and expenditures on the general ledger, however, variances were noted due to a lack of review process.
- Questioned Cost:** None.
- Recommendation:** We recommend management implement a secondary review of the SEFA to ensure financial and non-financial information is accurate and complete. We also recommend management reconcile federal grant expenses to federal grant revenue on the general ledger on a periodic basis to ensure general ledger activity is properly captured.
- Management's Response:** Accept - CFDA numbers were provided during the pre-audit and audit period. However, grant pass through number and balance reconciliations were inconsistent.
- Corrective Action:** Effective July 1, 2015, Tindley Accelerated Schools took on the entire grant management and reporting process. Effective immediately, pass through numbers will be tracked by management to be included on the SEFA. The School Treasurer and Controller will also implement reconciliation and review process of the SEFA to ensure its completeness and accuracy.

**SECTION 3 - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(a).**

None noted

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2015

---

**FINDING 2014-001 – CONTROLS OVER FINANCIAL REPORTING**

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

- Increase accrued expenses and payroll expense by approximately \$273,000 for June payroll expenses.
- Increase notes payable and decrease contribution revenue by approximately \$509,000 to record a liability for loan agreement.
- Increase property and equipment and accounts payable by approximately \$89,000 for assets placed in service as of June 30, 2014 but not paid.
- Various entries were posted to correct net asset balances due to improper recording of restricted revenues in accordance with GAAP. The net impact of the entries is an approximate \$268,000 increase to contribution revenue.
- Increase grants receivable and grant revenue by approximately \$100,000 for expenditures incurred on cost reimbursement grant but not claimed as of June 30, 2014.
- Decrease grant revenue and expenses by approximately \$100,000 for prior year audit adjustment posted in incorrect fiscal year.

**Corrective Action:** The current systemic weaknesses in financial reporting leads management to try an in-house solution with robust accounting software better suited to a multi-school structure. Once implemented, the review and approval process will take place within workflow system. In addition, the School's monthly close process and year-end process will include accrual adjustments which are posted within the appropriate accounting period, under the direction of the Treasurer and Controller. Transition will be in effect for FY 15.

**Status:** Repeated. See Finding 2015-001.

**FINDING 2014-002 – MANAGEMENT OVERSIGHT OF OUTSOURCED BOOKKEEPERS**

**Condition:** Journal entries and account reconciliations are performed by the outsourced bookkeeping firm and reviewed internally by the bookkeeping firm; however, there is not a documented review from School management.

**Corrective Action:** The current systemic weaknesses in financial reporting leads management to try an in-house solution with robust accounting software better suited to a multi-school structure. Account reconciliations will be prepared and the School's monthly close process and year-end process will include accrual adjustments which are posted within the appropriate accounting period, under the direction of the Treasurer and Controller. Transition will be in effect for FY 15.

**Status:** Repeated. See Finding 2015-002.

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2015

---

**FINDING 2014-003 - PREPARATION OF AN ACCURATE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

**Condition:** The SEFA prepared by the auditee did not contain all the required information.

**Corrective Action:** CFDA numbers were provided during the audit period. Moving forward, CFDA numbers will provided during pre-audit period, under the direction of the Treasurer and Controller. Transition will be in effect for FY 15.

**Status:** Repeated. See Finding 2015-003.

TINDLEY ACCELERATED SCHOOLS INC.  
OTHER REPORT  
Year ended June 30, 2015

---

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

Indiana State Board of Accounts Compliance Report of the Tindley Accelerated Schools 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*.