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March 14, 2017

Charter School Board
Avondale Meadows Academy
3980 Meadows Drive
Indianapolis, IN 46205

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Greenwalt CPAs, Inc., Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. 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 Avondale Meadows Academy, as of June 30, 2016, 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 Avondale Meadows Academy, was prepared in accordance with the guidelines established by the State Board of Accounts.

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

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

AVONDALE MEADOWS ACADEMY, INC.

FINANCIAL STATEMENTS

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

JUNE 30, 2016 AND 2015

GREENWALT CPAs

We Deliver Peace of Mind

AVONDALE MEADOWS ACADEMY, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Avondale Meadows Academy, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Avondale Meadows Academy, Inc. (Indiana public charter school, "AMA"), which comprise the statements of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit 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 of America, *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* and *Guidelines of Audits of Charter Schools performed by Private Examiners* established by the Indiana State Board of Accounts. 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 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 AMA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the AMA as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of AMA as of June 30, 2015, were audited by other auditors whose report dated November 25, 2015, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016, on our consideration of the Avondale Meadows Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 AMA's internal control over financial reporting and compliance.

Greenwald CPAs, Inc.

December 7, 2016

AVONDALE MEADOWS ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash	\$ 845,531	\$ 1,467,887
Investments	1,253,545	1,250,830
Accounts receivable:		
Grants	586,811	142,613
Other	10,038	12,638
Prepaid expenses and deposits	<u>171,283</u>	<u>38,287</u>
<i>Total current assets</i>	<u>2,867,208</u>	<u>2,912,255</u>
PROPERTY AND EQUIPMENT		
Land	564,800	564,800
Buildings and building improvements	13,355,350	13,345,319
Furniture and equipment	1,233,264	1,617,732
Textbooks	890,130	711,719
Computer and software	597,330	62,372
Vehicles	5,000	5,000
Accumulated depreciation	<u>(2,894,539)</u>	<u>(2,410,313)</u>
<i>Total property and equipment, net</i>	<u>13,751,335</u>	<u>13,896,629</u>
<i>Total assets</i>	<u>\$ 16,618,543</u>	<u>\$ 16,808,884</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,321	\$ 7,836
Payroll and other accrued expenses	320,519	438,798
Current portion of long-term debt	216,496	208,565
Current portion of capital lease obligations	<u>31,572</u>	<u>30,428</u>
<i>Total current liabilities</i>	<u>575,908</u>	<u>685,627</u>
LONG-TERM LIABILITIES, NET		
Long-term debt, net of current portion, net of deferred loan costs of \$37,910 and \$54,758 at June 30, 2016 and 2015, respectively	3,943,828	4,138,698
Capital lease obligations, net of current portion	9,497,905	9,074,557
Interest rate swap liability	<u>74,649</u>	<u>-</u>
<i>Total long-term liabilities</i>	<u>13,516,382</u>	<u>13,213,255</u>
<i>Total liabilities</i>	<u>14,092,290</u>	<u>13,898,882</u>
COMMITMENTS (NOTE 4)		
NET ASSETS		
Unrestricted	2,234,261	2,633,030
Unrestricted board designated	<u>50,000</u>	<u>40,000</u>
<i>Total unrestricted net assets</i>	2,284,261	2,673,030
Temporarily restricted	<u>241,992</u>	<u>236,972</u>
<i>Total net assets</i>	<u>2,526,253</u>	<u>2,910,002</u>
<i>Total liabilities and net assets</i>	<u>\$ 16,618,543</u>	<u>\$ 16,808,884</u>

AVONDALE MEADOWS ACADEMY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016			2015		
	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE AND SUPPORT						
State education support	\$ 6,293,753	\$ -	\$ 6,293,753	\$ 5,096,571	\$ -	\$ 5,096,571
Federal funding	1,778,712	-	1,778,712	2,135,000	-	2,135,000
Student fees	44,769	-	44,769	45,684	-	45,684
Contributions	115,010	47,350	162,360	123,490	-	123,490
Investment income	7,715	-	7,715	4,661	-	4,661
In-kind	169,731	-	169,731	155,427	-	155,427
Loss on interest rate swap	(74,649)	-	(74,649)	-	-	-
Other	85,411	-	85,411	177,272	-	177,272
Net asset released from restriction	42,330	(42,330)	-	25,695	(25,695)	-
<i>Total revenue and support</i>	<u>8,462,782</u>	<u>5,020</u>	<u>8,467,802</u>	<u>7,763,800</u>	<u>(25,695)</u>	<u>7,738,105</u>
EXPENSES (NOTE 8)						
Salaries and wages	4,108,211	-	4,108,211	3,688,339	-	3,688,339
Employee benefits and development	1,030,662	-	1,030,662	981,731	-	981,731
Professional services	675,148	-	675,148	799,384	-	799,384
Food cost	483,319	-	483,319	409,499	-	409,499
Equipment	-	-	-	142,388	-	142,388
Classroom, kitchen and office supplies	243,659	-	243,659	319,186	-	319,186
Information technology	157,381	-	157,381	251,392	-	251,392
Occupancy	376,275	-	376,275	223,974	-	223,974
Depreciation and amortization	501,075	-	501,075	711,330	-	711,330
Interest	1,044,505	-	1,044,505	848,510	-	848,510
Other	231,316	-	231,316	356,106	-	356,106
<i>Total expenses</i>	<u>8,851,551</u>	<u>-</u>	<u>8,851,551</u>	<u>8,731,839</u>	<u>-</u>	<u>8,731,839</u>
CHANGE IN NET ASSETS	(388,769)	5,020	(383,749)	(968,039)	(25,695)	(993,734)
NET ASSETS, BEGINNING OF YEAR	<u>2,673,030</u>	<u>236,972</u>	<u>2,910,002</u>	<u>3,641,069</u>	<u>262,667</u>	<u>3,903,736</u>
NET ASSETS, END OF YEAR	<u>\$ 2,284,261</u>	<u>\$ 241,992</u>	<u>\$ 2,526,253</u>	<u>\$ 2,673,030</u>	<u>\$ 236,972</u>	<u>\$ 2,910,002</u>

See accompanying notes to financial statements.

AVONDALE MEADOWS ACADEMY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (383,749)	\$ (993,734)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO CASH FLOWS FROM OPERATING ACTIVITIES:		
Depreciation and amortization	501,075	711,330
Realized loss on investments	526	-
Loss on interest rate swap	74,649	-
Accrued interest added to capital lease obligation	457,405	389,763
<i>Increase (decrease) in operating assets:</i>		
Accounts receivable	(441,598)	40,431
Prepaid expenses and deposits	(132,996)	(5,129)
<i>(Increase) decrease in operating liabilities:</i>		
Accounts payable	(515)	194,484
Payroll and other accrued expenses	(118,279)	-
<i>Net cash provided by (used in) operating activities</i>	<u>(43,482)</u>	<u>337,145</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net of maturities	(3,241)	(1,004,529)
Purchases of property and equipment	(338,932)	(408,423)
<i>Net cash used in investing activities</i>	<u>(342,173)</u>	<u>(1,412,952)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under equipment loan	-	466,450
Principal repayment of long-term debt	(203,788)	(171,857)
Principal reduction of capital lease obligations	(32,913)	(19,893)
<i>Net cash provided by (used in) financing activities</i>	<u>(236,701)</u>	<u>274,700</u>
NET CHANGE IN CASH	(622,356)	(801,107)
CASH, BEGINNING OF YEAR	<u>1,467,887</u>	<u>2,268,994</u>
CASH, END OF YEAR	<u>\$ 845,531</u>	<u>\$ 1,467,887</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest expense	<u>\$ 587,099</u>	<u>\$ 458,747</u>
NON-CASH OPERATING ACTIVITIES:		
In-kind contributions	<u>\$ 169,731</u>	<u>\$ 155,427</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Property and equipment acquired under capital lease	<u>\$ -</u>	<u>\$ 8,735,116</u>

See accompanying notes to financial statements.

AVONDALE MEADOWS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Avondale Meadows Academy, Inc. ("AMA") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. AMA (formerly named Challenge Foundation Academy, Inc.) is the organizer of two charter schools located in Indianapolis, Indiana. Each of the schools is a public charter school established under Indiana Code 20-24 and sponsored by the Mayor's Office of the City of Indianapolis. AMA's main source of revenue and support is from state and federal education support.

Avondale Meadows Academy (Avondale), which opened in 2006, is a K-5 tuition-free quality public charter school founded on the Core Knowledge curriculum. The core focus is to provide an outstanding education for our children equipping them with the knowledge, wisdom, core values, and behaviors to be successful in life. The mission of Avondale is to provide a rigorous and relevant college-preparatory program, grounded in our belief in the ability of every child to succeed at high levels.

Vision Academy at Riverside (Vision), which opened in 2014, is kindergarten through eighth grade. Vision will provide every scholar in its school a college-preparatory education. Vision couples a literacy-based, content-rich academic program with a unique Vision Curriculum, focused on goal setting and individual passions. Vision also offers every scholar ample after-school and extra-curricular opportunities as well as a rich array of family involvement opportunities, designed to ensure every scholar has the skills and support to succeed in college and in life.

BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements have been prepared on an accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

FINANCIAL STATEMENT PRESENTATION

In accordance with the Not-for-Profit Organizations Revenue Recognition Accounting Standards, donations and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions.

In accordance with Accounting Standards for the Preparation of Financial Statements for Not-for-Profit Organizations, AMA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets, which represent assets that the Board of Directors has discretionary control to use in carrying on the operations of the organization in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.

AVONDALE MEADOWS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FINANCIAL STATEMENT PRESENTATION, CONTINUED

In addition, there are certain transactions that occur during the normal course of business between Avondale & Vision. These transactions have been eliminated for reporting purposes.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, AMA considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2016 and 2015.

At June 30, 2016, AMA maintained cash in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) of \$250,000.

GRANTS AND ACCOUNTS RECEIVABLE

Grants receivable relate primarily to activities funded under federal programs and legislation enacted by the State of Indiana. Management believes that AMA is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

INVESTMENTS AND FAIR VALUE MEASUREMENTS

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets.

Accounting Standards for Fair Value Measurement define fair value as the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Those standards also establish a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

AVONDALE MEADOWS ACADEMY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair values measured on a recurring basis at June 30 are as follows:

	<u>2016</u> <u>Totals</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>
<u>INVESTMENTS</u>			
Money market funds	\$ 11,025	\$ -	\$ 11,025
Corporate and government bonds	240,137	240,137	
Negotiable certificates of deposit	<u>1,002,383</u>	<u>1,002,383</u>	<u>-</u>
Total	<u>\$ 1,253,545</u>	<u>\$ 1,242,520</u>	<u>\$ 11,025</u>

	<u>2015</u> <u>Totals</u>	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>
<u>INVESTMENTS</u>			
Money market funds	\$ 1,141	\$ -	\$ 1,141
Negotiable certificates of deposit	<u>1,249,689</u>	<u>1,249,689</u>	<u>-</u>
Total	<u>\$ 1,250,830</u>	<u>\$ 1,249,689</u>	<u>\$ 1,141</u>

Following is a description of the valuation methodologies used for assets measured at fair value. The methods for determining fair value have not changed in fiscal year 2016.

- Money market funds: Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV) however, on a daily basis the funds are valued at their daily NAV calculated using the amortized costs of the securities held in the fund.
- Government and corporate bonds: Valued based on quoted market prices.
- Negotiable certificates of deposits: Valued based on quoted market prices.

AVONDALE MEADOWS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

PROPERTY AND EQUIPMENT

Purchases of these assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs and minor replacement costs are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Buildings and improvements	40 years
Furniture, equipment, and vehicles	5 years
Textbooks	4 years
Computers and software	3 years

REVENUE RECOGNITION

Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, AMA receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of the AMA's revenue is the product of cost reimbursement grants. Accordingly, AMA recognizes revenue under these grants as costs are incurred.

CONTRIBUTIONS

Contributions received are measured at their fair values and are reported as an increase in net assets. AMA 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, or if they are designated as support for future periods.

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.

CONTRIBUTED SERVICES

Pursuant to the Not-for-Profit Organizations Revenue Recognition Accounting Standards, contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by AMA.

AVONDALE MEADOWS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CONTRIBUTED SERVICES

Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

In-kind contributions have been included in the statements of activities. They have been treated as non-cash activities for the purposes of the statements of cash flows. In-kind contributions for the years ended June 30 were:

	<u>2016</u>	<u>2015</u>
Avondale	\$ 89,792	\$ 67,397
Vision	<u>79,939</u>	<u>88,030</u>
	<u>\$ 169,731</u>	<u>\$ 155,427</u>

Volunteers provide program services throughout the year that do not meet the recognition criteria for contributed services. These services include volunteering at events, picking up donations, and various clerical tasks. The effect of these services has not been reflected in the statements of activities.

ADVERTISING

Advertising expenses totaled \$8,475 and \$11,685 for fiscal years 2016 and 2015, respectively. AMA's policy is to record advertising expenditures in the period in which they are incurred.

TAX STATUS

AMA is exempt from income tax under the provisions of Section 501 (c)(3) of the Internal Revenue Code, however, AMA would be subject to tax on income unrelated to its tax-exempt purpose. Tax years ending after 2012 are open to audit for both federal and state purposes.

SUBSEQUENT EVENTS

AMA evaluated subsequent events through December 7, 2016, the date these financial statements were available to be issued.

AVONDALE MEADOWS ACADEMY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

2. LONG-TERM DEBT

Long-term debt consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Bond obligation to Huntington Public Capital Corporation	\$ 3,867,107	\$ 3,984,188
Equipment loan payable to IFF	<u>331,127</u>	<u>417,833</u>
Total long-term debt	4,198,234	4,402,021
Less: current portion	(216,496)	(208,565)
Less: deferred loan costs	<u>(37,910)</u>	<u>(54,758)</u>
Long-term, net	<u>\$ 3,943,828</u>	<u>\$ 4,138,698</u>

In 2014, AMA obtained financing to purchase one of its school facilities through the sale of Educational Facility Revenue Bonds issued by the Indiana Finance Authority. AMA executed a note payable to Huntington Public Capital Corporation, the holder of the bonds, in the amount of \$4,175,000. The note is payable in monthly installments of principal and interest based on a 25-year amortization schedule with the balance due October 2018. The note carries a variable rate of interest based on LIBOR, which AMA has converted to fixed rate of 2.83% via a rate swap agreement with Huntington National Bank. The loan is secured by land, building, and other business assets.

The loan agreement contains certain covenants that limit AMA's ability to incur indebtedness or guarantees, purchase or dispose of assets, or change the nature of the business. The agreement also contains financial maintenance covenants establishing a minimum debt service coverage ratio and days cash on hand requirement. AMA had met these covenants at June 30, 2016.

Costs associated with securing financing, have been deferred and are being amortized over the term of the loan (5 years) using the straight-line method.

The loan from Illinois Facilities Fund (IFF) is payable in monthly installments, including interest at 5% per annum, through November 2019. The loan is secured by a first position in all of AMA's furniture, fixtures, and equipment.

Future maturities of long-term debt are as follows:

2017	\$ 216,496
2018	235,664
2019	3,702,606
2020	<u>43,468</u>
	<u>\$ 4,198,234</u>

AVONDALE MEADOWS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

3. BOARD DESIGNATED NET ASSETS

The Charters for Avondale and Vision require that each establish an account held in escrow of \$30,000 no later than December of the third year of operations. The escrow is designated for any potential dissolution costs of the school. Board designated net assets were as follows at June 30:

	<u>2016</u>	<u>2015</u>
Avondale	\$ 30,000	\$ 30,000
Vision	<u>20,000</u>	<u>10,000</u>
	<u>\$ 50,000</u>	<u>\$ 40,000</u>

4. CAPITAL AND OPERATING LEASES

AMA entered into an agreement to lease its building under a lease that commenced September 1, 2014. The lease is accounted for as a capital lease. The lease requires monthly escalating rental payments through the termination of the lease in 2043. AMA is also responsible for all costs associated with the building, including insurance, taxes, repairs, maintenance, and utilities. AMA also leases certain items of equipment under a lease that is accounted for as a capital lease. The cost and accumulated depreciation relating to the leased building and equipment were recorded at \$8,735,116 and \$450,702 as of June 30, 2016 and \$8,735,116 and \$263,188 as of June 30, 2015, respectively.

Following is a schedule of future minimum lease payments under the capital leases and the present value of net minimum lease payments as of June 30, 2016:

2017	\$ 514,044
2018	574,573
2019	864,264
2020	950,136
2021	971,520
Thereafter	<u>27,881,808</u>
Total minimum lease payments	31,756,345
Less: amount representing interest	<u>(22,226,868)</u>
	<u>\$ 9,529,477</u>

AMA also leases items of equipment under operating leases with various expiration dates through 2020. Total expense under operating leases for 2016 and 2015 was \$52,330 and \$45,758, respectively.

AVONDALE MEADOWS ACADEMY, INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 AND 2015

4. CAPITAL AND OPERATING LEASES, CONTINUED

Future minimum rental payments required under operating leases are as follows:

2017	\$	65,530
2018		65,171
2019		19,096
	\$	<u>149,797</u>

5. RESTRICTED NET ASSETS

Temporarily restricted net assets represent resources received from grantors and donors that were not expended for restricted purposes as of June 30, 2016 and 2015. Temporarily restricted net assets as of June 30 were available for the following purposes:

	<u>2016</u>	<u>2015</u>
Teacher awards and bonuses	\$ 229,192	\$ 234,192
Other programs	<u>12,800</u>	<u>2,780</u>
	<u>\$ 241,992</u>	<u>\$ 236,972</u>

Net assets were released from donor restrictions by incurring expenses or purchasing assets satisfying the restricted purpose. The following purpose restrictions were accomplished during the years ended June 30:

	<u>2016</u>	<u>2015</u>
Teacher awards and bonuses	\$ 5,000	\$ 5,000
Other programs	<u>37,330</u>	<u>20,695</u>
	<u>\$ 42,330</u>	<u>\$ 25,695</u>

6. RETIREMENT PLANS

AMA provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund ("TRF"), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the State of Indiana and administered by the Indiana Public Retirement System ("INPRS") Board. Contribution requirements of plan members are determined annually by the INPRS Board. In 2016 and 2015, AMA contributed 7.5% of compensation for teaching faculty to TRF. Should AMA elect to withdraw from TRF, AMA could be subject to a withdrawal fee. AMA's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2015 (the latest year reported), TRF was more than 80% funded. A copy of the complete annual report for the year ended June 30, 2015 can be obtained at:

www.in.gov/inprs/files/2015INPRSCAFRBook_Web.pdf

AVONDALE MEADOWS ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

6. RETIREMENT PLANS, CONTINUED

AMA also offers a 403(b) defined contribution retirement plan. Non-teaching personnel and teachers who opt to not participate in TRF are eligible for benefits under the 403(b) plan. Under the 403(b) plan, AMA contributes 7.5% toward employee's compensation.

For 2016 and 2015, retirement plan expense under both plans was \$249,302 and \$231,543, respectively.

7. RISKS AND UNCERTAINTIES

AMA provides education services to families residing in Marion and surrounding counties in Indiana, and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and grants awarded under federal programs. Changes in state or federal legislation could significantly affect AMA. Additionally, AMA is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on AMA.

Financial instruments that potentially subject AMA to concentrations of credit risk consist principally of revenues and receivables from the State of Indiana. For 2016 and 2015, the basic state tuition support was 67.6% and 67.2%, respectively. At June 30, 2016 and 2015, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at Huntington National Bank and are insured up to the FDIC insurance limit.

8. FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and management services. Following is a summary of expenses comprising program and management services for the years ended June 30:

	<u>2016</u>	<u>2015</u>
Program Services	\$ 7,015,232	\$ 7,183,486
Management and General	<u>1,829,879</u>	<u>548,353</u>
	<u>\$ 8,845,111</u>	<u>\$ 7,731,839</u>

9. RECLASSIFICATIONS

Certain items in the fiscal year 2015 financial statements have been reclassified to conform to the fiscal year 2016 presentation. These reclassifications had no impact on net assets at June 30, 2015.



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Avondale Meadows Academy, Inc.:

We have audited the financial statements of AMA as of and for the year ended June 30, 2016, and our report thereon dated December 7, 2016, which expressed an unmodified opinion on those financial statements, appears on page one. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and is not a required part of the financial statements. Exhibits I and II are presented for purposes of additional analysis, as required by the Indiana State Board of Accounts, rather than to present financial position and results of operations of the schools, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards for the year ended June 30, 2016, and the statements of financial position and activities by school as of and for the year ended June 30, 2016, are fairly stated, in all material respects, in relation to the financial statements as a whole.

The financial statements of AMA for the year ended June 30, 2015, were audited by other auditors and their report thereon dated November 25, 2015, expressed an unmodified opinion on those financial statements. Their report, as of the same date, on the statement of financial position by school as of June 30, 2015 and the statement of activities by school for the year ended June 30, 2015 stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2015, as a whole.

Greenwalt CPAs, Inc.

December 7, 2016

	ASSETS			
	<u>AVONDALE</u>	<u>VISION</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
CURRENT ASSETS				
Cash	\$ 645,501	\$ 200,030	\$ -	\$ 845,531
Investments	1,253,545	-	-	1,253,545
Accounts receivable:				-
Grants	282,961	303,850	-	586,811
Interschool receivable	560,000	-	(560,000)	-
Other	2,500	7,538	-	10,038
Prepaid expenses and deposits	54,641	116,642	-	171,283
<i>Total current assets</i>	<u>2,799,148</u>	<u>628,060</u>	<u>(560,000)</u>	<u>2,867,208</u>
PROPERTY AND EQUIPMENT				
Land	564,800	-	-	564,800
Buildings and building improvements	4,702,659	8,652,691	-	13,355,350
Furniture and equipment	750,456	482,808	-	1,233,264
Textbooks	727,967	162,163	-	890,130
Computer and software	531,239	66,091	-	597,330
Vehicles	3,500	1,500	-	5,000
Accumulated depreciation	(2,262,001)	(632,538)	-	(2,894,539)
<i>Total property and equipment, net</i>	<u>5,018,620</u>	<u>8,732,715</u>	<u>-</u>	<u>13,751,335</u>
<i>Total assets</i>	<u>\$ 7,817,768</u>	<u>\$ 9,360,775</u>	<u>\$ (560,000)</u>	<u>\$ 16,618,543</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 2,545	\$ 4,776	\$ -	\$ 7,321
Interschool payable	-	560,000	(560,000)	-
Payroll and other accrued expenses	198,231	122,288	-	320,519
Current portion of long-term debt	125,352	91,144	-	216,496
Current portion of capital lease obligations	-	31,572	-	31,572
<i>Total current liabilities</i>	<u>326,128</u>	<u>809,780</u>	<u>(560,000)</u>	<u>575,908</u>
LONG-TERM LIABILITIES, NET				
Long-term debt, net of current portion and deferred issuance costs of \$37,910	3,703,845	239,983	-	3,943,828
Capital lease obligations, net of current portion	-	9,497,905	-	9,497,905
Interest rate swap liability	74,649	-	-	74,649
<i>Total long-term liabilities</i>	<u>3,778,494</u>	<u>9,737,888</u>	<u>-</u>	<u>13,516,382</u>
<i>Total liabilities</i>	<u>4,104,622</u>	<u>10,547,668</u>	<u>(560,000)</u>	<u>14,092,290</u>
NET ASSETS (ACCUMULATED DEFICIT)				
Unrestricted	3,441,154	(1,206,893)	-	2,234,261
Unrestricted board designated	30,000	20,000	-	50,000
<i>Total unrestricted net assets (accumulated deficit)</i>	<u>3,471,154</u>	<u>(1,186,893)</u>	<u>-</u>	<u>2,284,261</u>
Temporarily restricted	241,992	-	-	241,992
<i>Total net assets (accumulated deficit)</i>	<u>3,713,146</u>	<u>(1,186,893)</u>	<u>-</u>	<u>2,526,253</u>
<i>Total liabilities and net assets</i>	<u>\$ 7,817,768</u>	<u>\$ 9,360,775</u>	<u>\$ (560,000)</u>	<u>\$ 16,618,543</u>

AVONDALE MEADOWS ACADEMY, INC.
SCHEDULE OF ACTIVITIES BY SCHOOL
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit I
Page 2 of 2

	AVONDALE	VISION	TOTAL
REVENUE AND SUPPORT			
State education support	\$ 3,455,035	\$ 2,838,718	\$ 6,293,753
Federal funding	973,027	805,685	1,778,712
Student fees	39,388	5,381	44,769
Contributions	130,560	31,800	162,360
Investment income	7,715	-	7,715
In-kind	89,792	79,939	169,731
Loss on interest rate swap	(74,649)	-	(74,649)
Other	25,559	59,852	85,411
	<u>4,646,427</u>	<u>3,821,375</u>	<u>8,467,802</u>
<i>Total revenue and support</i>			
EXPENSES			
Salaries and wages	2,368,789	1,739,422	4,108,211
Employee benefits and development	620,037	410,625	1,030,662
Professional services	383,465	291,683	675,148
Food cost	233,799	249,520	483,319
Classroom, kitchen and office supplies	153,795	89,864	243,659
Information technology	68,346	89,035	157,381
Occupancy	211,501	164,774	376,275
Depreciation and amortization	274,420	226,655	501,075
Interest	51,107	993,398	1,044,505
Other	114,921	116,395	231,316
	<u>4,480,180</u>	<u>4,371,371</u>	<u>8,851,551</u>
<i>Total expenses</i>			
CHANGE IN NET ASSETS	166,247	(549,996)	(383,749)
NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR	<u>3,546,899</u>	<u>(636,897)</u>	<u>2,910,002</u>
NET ASSETS (ACCUMULATED DEFICIT), END OF YEAR	<u>\$ 3,713,146</u>	<u>\$ (1,186,893)</u>	<u>\$ 2,526,253</u>

ASSETS				
	<u>AVONDALE</u>	<u>VISION</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
CURRENT ASSETS				
Cash	\$ 1,068,121	\$ 399,766	\$ -	\$ 1,467,887
Investments	1,250,830	-	-	1,250,830
Accounts receivable:				-
Grants	107,018	35,595	-	142,613
Interschool receivable	151,036	-	(151,036)	-
Other	8,878	3,760	-	12,638
Prepaid expenses and deposits	27,126	11,161	-	38,287
<i>Total current assets</i>	<u>2,613,009</u>	<u>450,282</u>	<u>(151,036)</u>	<u>2,912,255</u>
PROPERTY AND EQUIPMENT				
Land	564,800	-	-	564,800
Buildings and building improvements	4,702,659	8,642,660	-	13,345,319
Furniture and equipment	1,180,012	437,720	-	1,617,732
Textbooks	711,719	-	-	711,719
Computers and software	62,372	-	-	62,372
Vehicles	3,500	1,500	-	5,000
Accumulated depreciation	(2,082,927)	(327,386)	-	(2,410,313)
<i>Total property and equipment, net</i>	<u>5,142,135</u>	<u>8,754,494</u>	<u>-</u>	<u>13,896,629</u>
<i>Total assets</i>	<u>\$ 7,755,144</u>	<u>\$ 9,204,776</u>	<u>\$ (151,036)</u>	<u>\$ 16,808,884</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 3,176	\$ 4,660	\$ -	\$ 7,836
Interschool payable	-	151,036	(151,036)	-
Payroll and other accrued expenses	275,639	163,159	-	438,798
Current portion of long-term debt	121,858	86,707	-	208,565
Current portion of capital lease obligations	-	30,428	-	30,428
<i>Total current liabilities</i>	<u>400,673</u>	<u>435,990</u>	<u>(151,036)</u>	<u>685,627</u>
LONG-TERM LIABILITIES, NET				
Long-term debt, net of current portion and deferred issuance costs of \$54,758	3,807,572	331,126	-	4,138,698
Capital lease obligations, net of current portion	-	9,074,557	-	9,074,557
<i>Total long-term liabilities</i>	<u>3,807,572</u>	<u>9,405,683</u>	<u>-</u>	<u>13,213,255</u>
<i>Total liabilities</i>	<u>4,208,245</u>	<u>9,841,673</u>	<u>(151,036)</u>	<u>13,898,882</u>
NET ASSETS (ACCUMULATED DEFICIT)				
Unrestricted	3,279,927	(646,897)	-	2,633,030
Unrestricted board designated	30,000	10,000	-	40,000
<i>Total unrestricted net assets (accumulated deficit)</i>	<u>3,309,927</u>	<u>(636,897)</u>	<u>-</u>	<u>2,673,030</u>
Temporarily restricted	236,972	-	-	236,972
<i>Total net assets (accumulated deficit)</i>	<u>3,546,899</u>	<u>(636,897)</u>	<u>-</u>	<u>2,910,002</u>
<i>Total liabilities and net assets</i>	<u>\$ 7,755,144</u>	<u>\$ 9,204,776</u>	<u>\$ (151,036)</u>	<u>\$ 16,808,884</u>

AVONDALE MEADOWS ACADEMY, INC.
 SCHEDULE OF ACTIVITIES BY SCHOOL
 FOR THE YEAR ENDED JUNE 30, 2015

Exhibit II
 Page 2 of 2

	<u>AVONDALE</u>	<u>VISION</u>	<u>TOTAL</u>
REVENUE AND SUPPORT			
State education support	\$ 3,110,591	\$ 1,985,980	\$ 5,096,571
Federal funding	1,322,448	812,552	2,135,000
Student fees	41,791	3,893	45,684
Contributions	58,403	65,087	123,490
Investment income	4,661	-	4,661
In-kind	67,397	88,030	155,427
Other	49,963	127,309	177,272
	<u>4,655,254</u>	<u>3,082,851</u>	<u>7,738,105</u>
<i>Total revenue and support</i>			
EXPENSES			
Program services	4,189,010	2,994,476	7,183,486
Management and general	918,723	629,630	1,548,353
	<u>5,107,733</u>	<u>3,624,106</u>	<u>8,731,839</u>
<i>Total expenses</i>			
CHANGE IN NET ASSETS	(452,479)	(541,255)	(993,734)
NET ASSETS (ACCUMULATED DEFICIT), BEGINNING OF YEAR	<u>3,999,378</u>	<u>(95,642)</u>	<u>3,903,736</u>
NET ASSETS (ACCUMULATED DEFICIT), END OF YEAR	<u>\$ 3,546,899</u>	<u>\$ (636,897)</u>	<u>\$ 2,910,002</u>

AVONDALE MEADOWS ACADEMY, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH NUMBER	FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Indiana Department of Education National School Lunch Program	10.555	2015-2016-9645 2015-2016-9935	\$ 239,671 249,520
<i>Total for National School Lunch Program and U.S. Department of Agriculture</i>			<u>489,191</u>
U.S. DEPARTMENT OF EDUCATION			
Passed through the Indiana Department of Education Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	16-9645 16-9935	448,834 208,825
<i>Total for Title I, Part A Cluster</i>			<u>657,659</u>
Special Education Cluster (IDEA) Special Education - Grants to States (IDEA, Part B)	84.027	14216-533-PN01 14215-588-PN01 14216-577-PN01	85,021 13,019 54,741
<i>Total for Special Education Cluster (IDEA)</i>			<u>152,781</u>
Improving Teacher Quality State Grants	84.367	S367A150015 2015-2017V	47,299 15,263
<i>Total for Improving Teach Quality State Grants</i>			<u>62,562</u>
Teacher Incentive Fund	84.374	2014-2015A	111,947
Charter School Program	84.282	A58-150T-2438	<u>245,000</u>
<i>Total for U.S. Department of Education</i>			<u>1,229,948</u>
<i>Total expenditures of federal awards</i>			<u>\$ 1,719,139</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of AMA under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of AMA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of AMA.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. INDIRECT COST RATE

AMA has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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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*

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Avondale Meadows Academy, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of Avondale Meadows Academy, Inc. ("AMA"), which comprise the statements of financial position as of June 30, 2016, 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 December 7, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AMA'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.

Greenwald CPAs, Inc.

December 7, 2016



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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Avondale Meadows Academy, Inc.

Report on Compliance for Each Major Federal Program

We have audited Avondale Meadows Academy, Inc. ("AMA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the AMA's major federal programs for the year ended June 30, 2016. AMA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its federal awards applicable to its Federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of AMA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 AMA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of AMA's compliance.

Opinion on Each Major Federal Program

In our opinion, AMA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of AMA 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 Avondale Meadows Academy, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 AMA'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Greenwald CPAs, Inc.

December 7, 2016

AVONDALE MEADOWS ACADEMY, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDIT RESULTS

- 1. Type of auditors' report issued: Unmodified
- 2. Internal control over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes none reported
- 3. Noncompliance material to financial statements noted? yes no
- 4. Internal control over major programs:
 Material weakness(es) identified? yes no
 Significant deficiency(ies) identified? yes none reported
- 5. Type of auditors' report issued on compliance for major programs: Unmodified
- 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) yes no
- 7. Identification of major program:

	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	84.010	Title I, Part A Cluster
	84.282	Charter School Program
- 8. The threshold for distinguishing between Type A and B programs was \$750,000.
- 9. Auditee qualified as low-risk auditee? yes no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

AVONDALE MEADOWS ACADEMY, INC.
OTHER REPORT
AS OF AND FOR THE YEAR ENDED JUNE 30, 2016

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

Supplemental Audit Report of Avondale Meadows Academy, Inc.