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March 28, 2017

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, 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 Tindley Accelerated Schools, Inc., 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.

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, 2016 and 2015

TINDLEY ACCELERATED SCHOOLS, INC.  
Indianapolis, Indiana

FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS.....	30
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, 2016 and 2015, 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.

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(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, 2016 and 2015, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedules of financial position - school level, schedules of activities - school level, and schedule of expenditures of state and local awards 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 March 14, 2017 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  
March 14, 2017

TINDLEY ACCELERATED SCHOOLS, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2016 and 2015

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	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,569,242	\$ 740,897
Grants receivable	165,347	195,681
Contributions receivable (Note 2)	797,001	891,467
Prepaid expenses	3,621	199,772
Bond issuance costs	106,438	112,351
Land, buildings, and equipment, net (Note 3)	<u>7,104,096</u>	<u>7,696,706</u>
Total assets	<u>\$ 15,745,745</u>	<u>\$ 9,836,874</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 1,390,333	\$ 903,310
Due to grantor	250,000	-
Capital leases payable (Note 5)	678,869	917,060
Bonds and notes payable (Note 6)	<u>13,420,313</u>	<u>5,499,418</u>
Total liabilities	15,739,515	7,319,788
Net assets		
Unrestricted	(875,297)	1,031,103
Temporarily restricted (Note 8)	<u>881,527</u>	<u>1,485,983</u>
Total net assets	<u>6,230</u>	<u>2,517,086</u>
Total liabilities and net assets	<u>\$ 15,745,745</u>	<u>\$ 9,836,874</u>

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See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS, INC.  
STATEMENT OF ACTIVITIES  
Year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Public support and revenues</b>			
Federal and state grants	\$ 14,242,553	\$ -	\$ 14,242,553
Contributions	907,957	409,300	1,317,257
Program service fees	441,676	-	441,676
Investment income	2,362	-	2,362
Gain on loan forgiveness (Note 6)	500,000	-	500,000
Loss on disposal of fixed assets	(169,371)	-	(169,371)
Net assets released from restrictions (Note 8)	<u>1,013,756</u>	<u>(1,013,756)</u>	<u>-</u>
Total public support and revenues	<u>16,938,933</u>	<u>(604,456)</u>	<u>16,334,477</u>
<b>Expenses</b>			
Elementary School	6,316,539	-	6,316,539
Middle School	3,989,411	-	3,989,411
High School	2,571,835	-	2,571,835
General and administrative	5,767,362	-	5,767,362
Fundraising	<u>204,275</u>	<u>-</u>	<u>204,275</u>
Total expenses	<u>18,849,422</u>	<u>-</u>	<u>18,849,422</u>
Change in net assets from continuing operations	(1,910,489)	(604,456)	(2,514,945)
Gain from discontinued operations (Note 1)	<u>4,089</u>	<u>-</u>	<u>4,089</u>
<b>Change in net assets</b>	(1,906,400)	(604,456)	(2,510,856)
Net assets, beginning of year	<u>1,031,103</u>	<u>1,485,983</u>	<u>2,517,086</u>
<b>Net assets, end of year</b>	<u>\$ (875,297)</u>	<u>\$ 881,527</u>	<u>\$ 6,230</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	<u>15,607,195</u>	<u>651,443</u>	<u>16,258,638</u>
<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.  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (2,510,856)	\$ 391,182
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,028,212	1,110,011
Loss on disposal of fixed assets	169,371	225,136
Gain on loan forgiveness	(500,000)	-
Change in assets and liabilities		
Grants receivable	30,334	209,150
Contributions receivable	94,466	(891,467)
Prepaid expenses	196,149	10,940
Accounts payable and accrued expenses	487,023	(102,624)
Due to grantor	<u>250,000</u>	<u>-</u>
Net cash from operating activities	<u>(755,301)</u>	<u>952,328</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>(445,173)</u>	<u>(441,615)</u>
Net cash from investing activities	<u>(445,173)</u>	<u>(441,615)</u>
<b>Cash flows from financing activities</b>		
Repayment on capital lease obligation	(392,076)	(441,819)
Repayment on bonds and notes payable	(230,223)	(194,623)
Repayment on line of credit	(250,000)	-
Draw on line of credit	250,000	-
Proceeds from notes payable	<u>8,651,118</u>	<u>-</u>
Net cash from financing activities	<u>8,028,819</u>	<u>(636,442)</u>
Net change in cash and cash equivalents	6,828,345	(125,729)
Cash and cash equivalents, beginning of year	<u>740,897</u>	<u>866,626</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 7,569,242</u>	<u>\$ 740,897</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 274,679	\$ 196,122
Capital lease obligation	153,885	845,509

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**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.

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.

The financial statements include the activity of the six 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 year ended June 30, 2015 in accordance with ASC 205-20. Management recorded a loss on disposal of fixed assets totaling \$225,136 in relation to this decision for the year ended June 30, 2015. The assets and liabilities of Arlington High School as of June 30, 2015 and 2016 are presented on the schedules of financial position- school level. There are no assets held for sale at June 30, 2015 or 2016. The Winding down of Arlington High School operations is ongoing as of June 30, 2016

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).

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(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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

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.

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, 2016 and 2015.

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. At June 30, 2016 and 2015, the grants receivable balance relates to federal support due within one year totaling \$165,347 and \$195,681, respectively.

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, 2016 and 2015. 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.

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(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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

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

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, 2016 and 2015, management believes that no impairment exists.

Due to Grantor: During fiscal year 2014, the Organization received a \$250,000 grant for the startup costs of an additional school the Organization planned to open. During fiscal year 2016, the Organization cancelled the opening of the school. The grantor has requested these funds be repaid resulting in a due to grantor liability of \$250,000 at June 30, 2016.

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, 2016 and 2015.

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.

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(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

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

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 2016 and 2015, expenses totaling \$80,167 and \$81,121 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, 2016, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2016. Management has performed their analysis through March 14, 2017, the date the financial statements were available to be issued.

**NOTE 2 - CONTRIBUTIONS RECEIVABLE**

Unconditional contributions receivable consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Unconditional contributions receivable	\$ 809,015	\$ 903,481
Less unamortized present value discount	<u>(12,104)</u>	<u>(12,014)</u>
	<u>\$ 797,001</u>	<u>\$ 891,467</u>
Amounts due in:		
Less than one year	\$ 565,218	\$ 552,648
One to five years	<u>243,797</u>	<u>350,833</u>
	809,015	903,481
Less unamortized present value discount	<u>(12,104)</u>	<u>(12,014)</u>
	<u>\$ 797,001</u>	<u>\$ 891,467</u>

Qualifying contributions receivable were discounted using the IRS discount rate of 2.0% for 2016 and 2015.

Management determined that no allowance for doubtful accounts was necessary for the years ended June 30, 2016 and 2015, respectively.

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(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

**NOTE 3 - LAND, BUILDINGS AND EQUIPMENT**

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

	<u>2016</u>	<u>2015</u>
Land	\$ 125,000	\$ 125,000
Buildings and improvements	6,275,449	6,254,769
Machinery and equipment	5,236,852	4,741,050
Textbooks	<u>948,493</u>	<u>853,373</u>
	12,585,794	11,974,192
Less: accumulated depreciation	<u>(5,481,698)</u>	<u>(4,277,486)</u>
	<u>\$ 7,104,096</u>	<u>\$ 7,696,706</u>

Depreciation expense for the year ended June 30, 2016 and 2015 was \$1,022,299 and \$1,107,055.

**NOTE 4 - OPERATING 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, 2016, are as follows:

2017	\$ 1,329,047
2018	1,695,783
2019	1,435,884
2020	61,218
2021	<u>34,503</u>
	<u>\$ 4,556,435</u>

Operating lease expenses for the year ended June 30, 2016 and 2015 was approximately \$2,510,536 and \$1,894,862.

**NOTE 5 - 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>2016</u>	<u>2015</u>
Furniture	\$ 1,757,567	\$ 1,603,682
Accumulated amortization	<u>(639,831)</u>	<u>(406,300)</u>
	<u>\$ 1,117,736</u>	<u>\$ 1,197,382</u>

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

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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**NOTE 5 - CAPITAL LEASE PAYABLE** (Continued)

Future minimum lease payments under the capital lease at June 30, 2016, are as follows:

2017	\$ 485,742
2018	194,528
2019	<u>55,716</u>
Total	735,986
Interest due	<u>(57,117)</u>
	 <u>\$ 678,869</u>

**NOTE 6 - BONDS AND NOTES PAYABLE**

Bonds and notes payable consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</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, 2016 and 2015), maturing in July 2033.	\$ 3,879,869	\$ 4,069,063
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, 2016 and 2015), maturing in July 2018.	889,326	930,355
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 included a clause for potential loan forgiveness of \$250,000 if certain growth milestones are met by fiscal year 2016. During fiscal year 2016, the entire outstanding loan balance was forgiven by the lender resulting in a \$500,000 gain recognized on the Statement of Activities.	-	500,000
Note payable to State of Indiana to support charter school operations of Tindley Preparatory Academy, payable in semi-annual installments of \$69,097, plus interest computed at 1.00%, through maturity in July 2026.	1,381,946	-
Note payable to State of Indiana to support charter school operations of Tindley Collegiate Academy, payable in semi-annual installments of \$98,533, plus interest computed at 1.00%, through maturity in July 2026.	1,970,678	-

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(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

**NOTE 6 - BONDS AND NOTES PAYABLE** (continued)

	<u>2016</u>	<u>2015</u>
Note payable to State of Indiana to support charter school operations of Tindley Renaissance Academy, payable in semi-annual installments of \$125,181, plus interest computed at 1.00%, through maturity in July 2026.	\$ 2,503,616	\$ -
Note payable to State of Indiana to support charter school operations of Tindley Summit Academy, payable in semi-annual installments of \$92,026, plus interest computed at 1.00%, through maturity in July 2026.	1,840,529	-
Note payable to State of Indiana to support charter school operations of Tindley Genesis Academy, payable in semi-annual installments of \$47,717, plus interest computed at 1.00%, through maturity in July 2026.	<u>954,349</u>	<u>-</u>
	<u>\$13,420,313</u>	<u>\$ 5,499,418</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, 2016, the Organization was not in compliance with the covenants. The Organization obtained a waiver from the bank through June 30, 2017. At June 30, 2015, the Organization reported compliance with the covenants.

Interest expense for the year ended June 30, 2016 and 2015 was \$285,895 and \$136,541.

Estimated future principal payments due on long term debt are:

2017	\$ 1,078,511
2018	1,084,843
2019	1,862,564
2020	1,054,495
2021	1,060,091
Thereafter	<u>7,279,809</u>
	<u>\$13,420,313</u>

**NOTE 7 - 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. On June 24, 2016, the line of credit agreement was cancelled. During fiscal year 2016, the Organization borrowed \$250,000 on the line of credit which was repaid prior to the cancellation of the line. There were no borrowings during fiscal year 2015. At June 30, 2016 and 2015, there was no outstanding balance. There was no interest expense during 2016 and 2015.

(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

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**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2016</u>	<u>2015</u>
Charter School Growth Fund	\$ -	\$ 500,000
Athletics	68,534	78,464
SAT Prep	3,758	3,818
Physics and chemistry laboratories	250,000	250,000
Capital campaign – time restriction	547,001	641,467
Other	<u>12,234</u>	<u>12,234</u>
	<u>\$ 881,527</u>	<u>\$ 1,485,983</u>

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, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Charter School Growth Fund	\$ 500,000	\$ 250,000
Capital campaign – time restriction	503,766	-
Athletics	9,930	-
Impact 100	-	47,782
Industrial studio	-	12,517
Denny Chin music fund	-	5,000
Other	<u>60</u>	<u>23,477</u>
	<u>\$ 1,013,756</u>	<u>\$ 338,776</u>

**NOTE 9 - 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. Retirement plan expense for the years ended June 30, 2016 and 2015 was \$386,654 and \$677,901, respectively.

**SUPPLEMENTARY INFORMATION**

TINDLEY ACCELERATED SCHOOLS, INC.  
SCHEDULE OF FINANCIAL POSITION- SCHOOL LEVEL  
June 30, 2016

	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	\$ 7,325,311	\$ 7,126	\$ 7,360	\$ 113,629	\$ 33,265	\$ 85,813	\$ (3,262)	\$ -	\$ 7,569,242
Grants receivable	45,029	-	19,746	23,124	60,036	12,885	4,527	-	165,347
Contributions receivable	797,001	-	-	-	-	-	-	-	797,001
Due from related parties	12,292,329	101,446	4,446,806	4,792,752	5,483,798	3,621,050	1,897,526	(32,635,707)	-
Prepaid expenses	-	-	4,478	(857)	-	-	-	-	3,621
Bond issuance costs	106,438	-	-	-	-	-	-	-	106,438
Land, buildings, and equipment, net	5,234,678	-	252,351	443,457	566,623	297,817	309,170	-	7,104,096
Total assets	<u>\$ 25,800,786</u>	<u>\$ 108,572</u>	<u>\$ 4,730,741</u>	<u>\$ 5,372,105</u>	<u>\$ 6,143,722</u>	<u>\$ 4,017,565</u>	<u>\$ 2,207,961</u>	<u>\$ (32,635,707)</u>	<u>\$ 15,745,745</u>
<b>LIABILITIES AND NET ASSETS</b>									
<b>Liabilities</b>									
Accounts payable and accrued expenses	357,381	11,523	153,785	195,539	380,930	132,560	158,615	-	1,390,333
Due to related parties	17,010,896	101,993	4,296,226	2,870,133	3,819,820	2,801,013	1,735,626	(32,635,707)	-
Due to grantor	250,000	-	-	-	-	-	-	-	250,000
Capital leases payable	74,773	-	32,397	111,916	231,671	115,019	113,093	-	678,869
Bonds and notes payable	4,769,195	-	1,381,946	1,970,678	2,503,616	1,840,529	954,349	-	13,420,313
Total liabilities	<u>22,462,245</u>	<u>113,516</u>	<u>5,864,354</u>	<u>5,148,266</u>	<u>6,936,037</u>	<u>4,889,121</u>	<u>2,961,683</u>	<u>(32,635,707)</u>	<u>15,739,515</u>
<b>Net Assets</b>									
Unrestricted	2,469,248	(4,944)	(1,135,993)	219,839	(793,223)	(876,502)	(753,722)	-	(875,297)
Temporarily restricted	869,293	-	2,380	4,000	908	4,946	-	-	881,527
Total net assets	<u>3,338,541</u>	<u>(4,944)</u>	<u>(1,133,613)</u>	<u>223,839</u>	<u>(792,315)</u>	<u>(871,556)</u>	<u>(753,722)</u>	<u>-</u>	<u>6,230</u>
Total liabilities and net assets	<u>\$ 25,800,786</u>	<u>\$ 108,572</u>	<u>\$ 4,730,741</u>	<u>\$ 5,372,105</u>	<u>\$ 6,143,722</u>	<u>\$ 4,017,565</u>	<u>\$ 2,207,961</u>	<u>\$ (32,635,707)</u>	<u>\$ 15,745,745</u>

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	<u>5,678,538</u>	<u>-</u>	<u>342,908</u>	<u>535,170</u>	<u>728,998</u>	<u>344,605</u>	<u>66,487</u>	<u>-</u>	<u>7,696,706</u>
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>									
<b>Liabilities</b>									
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	<u>5,499,418</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,499,418</u>
Total liabilities	<u>7,528,219</u>	<u>160,860</u>	<u>806,098</u>	<u>843,331</u>	<u>1,115,781</u>	<u>631,779</u>	<u>151,617</u>	<u>(3,917,897)</u>	<u>7,319,788</u>
<b>Net Assets</b>									
Unrestricted	493,747	(9,033)	(371,497)	813,046	488,627	(303,567)	(80,220)	-	1,031,103
Temporarily restricted	<u>1,473,749</u>	<u>-</u>	<u>2,380</u>	<u>4,000</u>	<u>908</u>	<u>4,946</u>	<u>-</u>	<u>-</u>	<u>1,485,983</u>
Total net assets	<u>1,967,496</u>	<u>(9,033)</u>	<u>(369,117)</u>	<u>817,046</u>	<u>489,535</u>	<u>(298,621)</u>	<u>(80,220)</u>	<u>-</u>	<u>2,517,086</u>
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 ACTIVITIES - SCHOOL LEVEL  
Year ended June 30, 2016

	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	\$ 2,103,132	\$ -	\$ 2,235,631	\$ 2,473,170	\$ 3,444,911	\$ 2,531,715	\$ 1,453,994	\$ -	\$ 14,242,553	\$ -	\$ 14,242,553
Contributions	1,275,200	-	4,496	-	-	35,061	2,500	-	1,317,257	-	1,317,257
Program service fees	1,549,563	28,144	71,850	51,979	45,523	65,003	8,837	(1,351,079)	469,820	(28,144)	441,676
Investment income	1,657	12	160	185	173	127	60	-	2,374	(12)	2,362
Gain on loan forgiveness	500,000	-	-	-	-	-	-	-	500,000	-	500,000
Gain/(loss) on disposal of fixed assets	(133,441)	-	44,983	8,807	(64,631)	(23,980)	(1,109)	-	(169,371)	-	(169,371)
Total public support and revenues	5,296,111	28,156	2,357,120	2,534,141	3,425,976	2,607,926	1,464,282	(1,351,079)	16,362,633	(28,156)	16,334,477
<b>Expenses</b>											
Elementary School	-	-	-	-	2,994,654	1,896,600	1,425,285	-	6,316,539	-	6,316,539
Middle School	131,418	-	1,919,077	1,938,916	-	-	-	-	3,989,411	-	3,989,411
High School	2,571,835	19,928	-	-	-	-	-	-	2,591,763	(19,928)	2,571,835
General and administrative	1,196,335	4,011	1,168,764	1,157,650	1,677,402	1,244,864	673,426	(1,351,079)	5,771,373	(4,011)	5,767,362
Fundraising	25,478	128	33,775	30,782	35,770	39,397	39,073	-	204,403	(128)	204,275
Total expenses	3,925,066	24,067	3,121,616	3,127,348	4,707,826	3,180,861	2,137,784	(1,351,079)	18,873,489	(24,067)	18,849,422
Change in net assets	1,371,045	4,089	(764,496)	(593,207)	(1,281,850)	(572,935)	(673,502)	-	(2,510,856)	\$ 4,089	\$ (2,514,945)
Net assets, beginning of year	1,967,496	(9,033)	(369,117)	817,046	489,535	(298,621)	(80,220)	-	2,517,086		
Net assets, end of year	\$ 3,338,541	\$ (4,944)	\$ (1,133,613)	\$ 223,839	\$ (792,315)	\$ (871,556)	\$ (753,722)	\$ -	\$ 6,230		

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	<u>3,889,944</u>	<u>5,552,965</u>	<u>2,500,093</u>	<u>3,008,750</u>	<u>4,062,742</u>	<u>1,673,312</u>	<u>244,784</u>	<u>(444,759)</u>	<u>20,487,831</u>	<u>(4,229,193)</u>	<u>16,258,638</u>
<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	<u>3,543,761</u>	<u>4,975,399</u>	<u>2,816,562</u>	<u>2,908,836</u>	<u>3,999,913</u>	<u>1,971,933</u>	<u>325,004</u>	<u>(444,759)</u>	<u>20,096,649</u>	<u>(4,975,399)</u>	<u>15,121,250</u>
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	<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>-</u>	<u>2,125,904</u>		
Net assets, end of year	<u>\$ 1,967,496</u>	<u>\$ (9,033)</u>	<u>\$ (369,117)</u>	<u>\$ 817,046</u>	<u>\$ 489,535</u>	<u>\$ (298,621)</u>	<u>\$ (80,220)</u>	<u>\$ -</u>	<u>\$ 2,517,086</u>		

TINDLEY ACCELERATED SCHOOLS, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended June 30, 2016

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	\$ 176,713
Summer Meals Program	10.559	K376	17,249
National School Lunch Program	10.555	K376	<u>558,065</u>
Total Child Nutrition Cluster   U.S. Department of Agriculture			<u>752,027</u>
<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	S010A150014	1,075,130
Special Education Cluster			
Special Education - Grants to States	84.027	2014-2015	21,888
Special Education - Grants to States	84.027	2015-2016	<u>257,772</u>
Total Special Education Cluster			279,660
Charter School Program	84.282	A58-6-16OT	462,064
Improving Teacher Quality State Grants (Title II)	84.367	S367A150015	<u>98,792</u>
Total U.S. Department of Education			<u>1,911,120</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 2,667,673</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, 2016

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Organization 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, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Organization.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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, 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 March 14, 2017.

### **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 deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness (Finding 2016-001).

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiency (Finding 2016-002).

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(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

Indianapolis, Indiana  
March 14, 2017

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 Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2016. 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 programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 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 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 programs. 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 programs for the year ended June 30, 2016.

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(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 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 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, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003, which we consider to be a significant deficiency.

The Organization's responses to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the responses.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Indianapolis, Indiana  
March 14, 2017

TINDLEY ACCELERATED SCHOOLS, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year ended June 30, 2016

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**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?   X   Yes        No

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

Noncompliance material to financial statements noted?        Yes   X   No

***Federal Awards***

Internal Control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiencies identified not considered to be material weaknesses?   X   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 2 CFR 200.516(a)?        Yes   X   No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
	Child Nutrition Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No

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(Continued)

TINDLEY ACCELERATED SCHOOLS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2016

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**Section II – Financial Statement Findings**

**Finding 2016-001 – 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 as a result of audit procedures. Due to the number and nature of the adjustments in addition to a number of financial issues a material weakness in the aggregate has been issued.

**Context:** The following significant adjusting entries were noted during the audit:

- Increase grants receivable and federal grants revenue by approximately \$165,000 to properly accrue for fiscal year 2016 grant activity.
- Increase capital leases payable and interest expense by approximately \$38,000 to correct liability balances.
- Decrease accounts payable and expenses by approximately \$95,000 to correct accounts payable balances.
- Decrease to fixed assets and increase to loss on disposal of fixed assets in 2016 by approximately \$169,000
- Increase to accrued liabilities and expense related to a grant that is required to be repaid to the grantor in the amount of \$250,000.

**Effect:** The effect is a lack of materially accurate financial reporting by management.

**Cause:** The above condition appears to be the result of the inability to fully implement a timely review and reconciliation process.

**Recommendation:** We recommend that management thoroughly review monthly and annual account reconciliations in a timely manner. This will allow for the general ledger to reflect a complete and accurate representation of financial results.

**Views of responsible officials and planned corrective action:** In collaboration with the new permanent CFO, policies and procedures will be established to review and approve monthly and annual account reconciliations. Based on the results of the reconciliations, appropriate adjustments will be made in a timely manner.

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(Continued)

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2016

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**Finding 2016-002 – Preparation of an Accurate Schedule of Expenditures of Federal Awards**

<b>Criteria:</b>	Uniform Guidance, Section 200,510(b) requires the auditee prepare a complete and accurate SEFA.
<b>Condition:</b>	There is no documented policies or procedures, and no secondary review of the SEFA to ensure the completeness and accuracy of the report.
<b>Context:</b>	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 grant expense reports which resulted in changes to the SEFA.
<b>Effect:</b>	Financial reporting of federal expenditures could be inaccurate or incomplete.
<b>Cause:</b>	The above condition appears to be the result of a lack of controls surrounding the grants management process.
<b>Recommendation:</b>	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.

**Views of responsible officials and planned corrective action:**

Management and the Board of Directors has established and hired the position of Grant Manager to be responsible for the following:

- Provide leadership and direction for programs funded by federal and state grants
- Financial administration of federal and state grants;
- Ensure that program staff accomplishes their approved program initiatives and that the school division meets compliance and reporting requirements.
- Assist in the budget development process and perform budget analysis duties as assigned by the Chief Financial Officer or his/her designee.
- Perform functions of financial administration and reporting to include, but not limited to: preparation and timely submission of grant applications, reports, and reimbursements; development and adjustment of associated budgets, coordination of budgeted funds, screening and processing requests for expenditures and ensuring the timely application for reimbursement from the state.
- reconcile federal grant expenses to federal grant revenue on the general ledger on a periodic basis to ensure general ledger activity is properly captured

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2016

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**Section III – Federal Award Findings and Questioned Costs**

**Finding 2016-003 – Missing Free or Reduced Lunch Application Forms**

<b>Information on the Federal program:</b>	Child Nutrition Cluster – (CFDA Numbers 10.553, 10.555, & 10.559) – U.S. Department of Agriculture -
<b>Criteria:</b>	<p>Compliance Supplement, Child Nutrition Cluster, Section E, subsection 1, paragraph b – A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size.</p> <p>Local education agencies (LEAs), institutions, and sponsors determine eligibility by comparing the data reported by the child's household to published income eligibility guidelines.</p>
<b>Condition:</b>	During our testing of eligibility, we noted students were receiving free or reduced lunches with no annual certification (application) for free or reduced lunches on file.
<b>Questioned Cost:</b>	None.
<b>Context:</b>	For seven students in our sample of 60 students, we noted free lunches were provided but no annual certification (application) for free/reduced lunches were on file.
<b>Effect:</b>	The Organization may not be in compliance with federal regulations.
<b>Cause:</b>	Management noted the missing applications were hard copy files that would have been filed and reviewed to ensure students were properly eligible and met the income requirements to receive free or reduced meals. On occasion, hard copy applications following their approval will fall out of their storage binders or get misplaced. In this situation, management and staff were unable to locate the missing applications.
<b>Repeat Finding:</b>	No
<b>Recommendation:</b>	We recommend management continue to move from hardy copy files to an electronic version of the Form 521 to eliminate the misplacing of forms and cut down on any human error.
<b>Views of responsible officials and planned corrective actions:</b>	Beginning in school year 2016-2017, all applications are entered electronically through our online application system.

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2016

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

**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.

**Status:** Repeat. See Finding 2016-001.

**FINDING 2015-002 – 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.

**Status:** Resolved.

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

**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.

**Status:** Repeat. See Finding 2016-002.

TINDLEY ACCELERATED SCHOOLS INC.  
SCHEDULE OF EXPENDITURES OF STATE AND LOCAL AWARDS  
Year ended June 30, 2016

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<u>Grantor/ Program Title</u>	<u>Amount</u>
Pass-Through Indiana Department of Education:	
Basic Grant	\$ 10,563,663
Summer School	18,614
State Matching Fund	6,643
Formative Assessment Grant	20,462
Performance Based Award	71,503
Facilities Grant	828,000
Textbook Reimbursements	<u>104,316</u>
 Total State expenditures	 <u>\$ 11,613,200</u>

\*\*See schedule of expenditures of federal awards on page 19 for federal grant activity passed through the Indiana Department of Education.

TINDLEY ACCELERATED SCHOOLS, INC.  
OTHER REPORT  
Year ended June 30, 2016

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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*.