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January 25, 2018


Charter School Board
Indiana Math and Science Academy- Indianapolis, Inc.
4575 38th St.
Indianapolis, IN 46222

We have reviewed the report prepared by Indiana Math and Science Academy- Indianapolis, Inc. and opined upon by Donovan CPAs & Advisors, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Indiana Math and Science Academy- Indianapolis, Inc. as of June 30, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs & Advisors prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Audit Report for Indiana Math and Science Academy- Indianapolis, Inc., was prepared in accordance with the guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

**INDIANA MATH AND SCIENCE ACADEMY -
INDIANAPOLIS, INC.**

FINANCIAL STATEMENTS
Together with Independent Auditors' Report
For the Years Ended June 30, 2017 and 2016



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
Indiana Math and Science Academy - Indianapolis, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Indiana Math and Science Academy - Indianapolis, Inc. which comprise the statements of financial position as of June 30, 2017 and 2016, the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 auditors consider 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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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indiana Math and Science Academy - Indianapolis, Inc. as of June 30, 2017 and 2016, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 and related notes are presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain 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 and related notes are 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 December 15, 2017 on our consideration of Indiana Math and Science Academy - Indianapolis, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Indiana Math and Science Academy - Indianapolis, Inc.'s internal control over financial reporting and compliance.

DONOVAN

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Indianapolis, Indiana
December 15, 2017

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 559,026	\$ 713,958
Accounts receivable:		
Grants	68,811	104,494
Affiliated entities	25,000	23,475
Prepaid expenses	<u>5,047</u>	<u>-</u>
<i>Total current assets</i>	<u>657,884</u>	<u>841,927</u>
PROPERTY AND EQUIPMENT		
Land	24,800	24,800
Building and improvements	3,997,424	3,814,567
Furniture and equipment	168,477	219,198
Textbooks	22,351	86,939
Less: accumulated depreciation	<u>(468,557)</u>	<u>(410,884)</u>
<i>Property and equipment, net</i>	<u>3,744,495</u>	<u>3,734,620</u>
TOTAL ASSETS	<u>\$ 4,402,379</u>	<u>\$ 4,576,547</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of note payable	\$ 325,036	\$ 162,518
Accounts payable and accrued expenses	420,696	495,941
Accounts payable - affiliated entity	<u>52,944</u>	<u>40,018</u>
<i>Total current liabilities</i>	798,676	698,477
LONG-TERM LIABILITIES		
Note payable, net of current portion	<u>2,762,812</u>	<u>3,087,848</u>
<i>Total liabilities</i>	3,561,488	3,786,325
NET ASSETS	<u>840,891</u>	<u>790,222</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,402,379</u>	<u>\$ 4,576,547</u>

See independent auditors' report and accompanying notes to the financial statements

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
REVENUE AND SUPPORT		
State education support	\$ 4,107,939	\$ 3,686,597
Grant revenue	1,379,141	1,205,694
Student fees	55,366	87,345
Contributions	-	64,627
Other income	<u>30,566</u>	<u>18,554</u>
<i>Total revenue and support</i>	<u>5,573,012</u>	<u>5,062,817</u>
EXPENSES		
Program services	4,198,614	3,670,092
Management and general	<u>1,323,729</u>	<u>1,221,054</u>
<i>Total expenses</i>	<u>5,522,343</u>	<u>4,891,146</u>
CHANGE IN NET ASSETS	50,669	171,671
NET ASSETS, BEGINNING OF YEAR	<u>790,222</u>	<u>618,551</u>
NET ASSETS, END OF YEAR	<u><u>\$ 840,891</u></u>	<u><u>\$ 790,222</u></u>

See independent auditors' report and accompanying notes to the financial statements

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2017 and 2016

	2017			2016		
	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Salaries and wages	\$ 2,120,323	\$ 555,112	\$ 2,675,435	\$ 1,637,385	\$ 518,036	\$ 2,155,421
Employee benefits	501,126	157,327	658,453	378,185	157,713	535,898
Staff development and recruitment	21,366	-	21,366	17,659	-	17,659
Academic services	-	410,794	410,794	-	368,597	368,597
Food service	360,926	-	360,926	310,197	-	310,197
Transportation services	403,488	-	403,488	272,000	-	272,000
Other professional services	118,828	72,881	191,709	175,266	79,669	254,935
Textbooks	54,899	-	54,899	57,694	-	57,694
Classroom, kitchen, and office supplies	87,316	19,747	107,063	195,395	15,481	210,876
Equipment rental and expense	41,003	-	41,003	65,025	-	65,025
Occupancy	196,352	-	196,352	311,569	-	311,569
Depreciation	197,984	-	197,984	152,242	-	152,242
Insurance	-	23,016	23,016	-	28,380	28,380
Advertising	-	38,585	38,585	-	32,570	32,570
Interest	33,394	-	33,394	16,697	-	16,697
Other	61,609	46,267	107,876	80,778	20,608	101,386
<i>Total functional expenses</i>	<u>\$ 4,198,614</u>	<u>\$ 1,323,729</u>	<u>\$ 5,522,343</u>	<u>\$ 3,670,092</u>	<u>\$ 1,221,054</u>	<u>\$ 4,891,146</u>

See independent auditors' report and accompanying notes to the financial statements

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 50,669	\$ 171,671
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	197,984	152,242
Change in certain assets and liabilities:		
Accounts receivable	34,158	(84,061)
Prepaid expenses	(5,047)	13,026
Accounts payable and accrued expenses	(75,245)	84,536
Accounts payable - affiliated entity	12,926	40,018
Deferred rent payable	<u>-</u>	<u>(35,842)</u>
 <i>Net cash provided by operating activities</i>	 <u>215,445</u>	 <u>341,590</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(207,859)</u>	<u>(3,483,803)</u>
FINANCING ACTIVITIES		
Withdrawal of restrictions on cash	-	100,000
Proceeds from (repayments on) note payable	<u>(162,518)</u>	<u>3,250,366</u>
 <i>Net cash provided by (used in) financing activities</i>	 <u>(162,518)</u>	 <u>3,350,366</u>
NET CHANGE IN CASH	(154,932)	208,153
CASH, BEGINNING OF YEAR	<u>713,958</u>	<u>505,805</u>
CASH, END OF YEAR	<u>\$ 559,026</u>	<u>\$ 713,958</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	\$ 33,394	\$ -

See independent auditors' report and accompanying notes to the financial statements

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Indiana Math and Science Academy – Indianapolis, Inc. (the "School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by the Office of Education Innovation of the Mayor of the City of Indianapolis ("Mayor's Office"). The School provided educational instruction to approximately 575 students in grades kindergarten through eight during the 2016 - 2017 academic school year.

Accounting Estimates – 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.

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

Affiliated Entities Receivable – Affiliated entities receivables are amounts due from schools operated by the same management company, Concept Schools, Inc. The schools periodically loan cash to one another to assist with meeting cash flow needs. The School believes the entire balance of the affiliated entities receivables is collectible, and as such, no allowance for doubtful accounts is deemed necessary.

Property and Equipment – Purchases of 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:

Building and improvements.....	10 to 40 years
Furniture and equipment.....	3 to 5 years
Textbooks	5 years

Revenue Recognition – Revenues primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to 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 School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Indiana Math and Science Academy - Indianapolis, Inc. has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2017 and 2016, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not 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 liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2013 are open to audit for both federal and state purposes.

Subsequent Events – The School evaluated subsequent events through December 15, 2017, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - LEASES

In 2007, the School executed a ten-year lease on a building used as its school facility under an operating lease agreement with Godby Redevelopment Company, LLC. The lease provided for monthly rental payments which increased annually over the term of the agreement. The School purchased the building in 2016, effectively terminating the lease agreement.

The School also leased office equipment under operating leases which expired in 2016.

Total lease expense for the years ended June 30, 2017 and 2016 was \$23,579 and \$252,856, respectively. The School has no future minimum lease payments.

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

NOTE 3 - NOTE PAYABLE

The note payable consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Note payable to State Board of Education, payable \$162,518 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, advanced in February 2016.	\$ 3,087,848	\$ 3,250,366
Less: current portion	<u>(325,036)</u>	<u>(162,518)</u>
Long-term portion	\$ <u>2,762,812</u>	\$ <u>3,087,848</u>

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

Principal maturities of the note payable are as follows for the years ending June 30:

2018	\$ 325,036
2019	325,036
2020	325,036
2021	325,036
2022	325,036
Thereafter	<u>1,462,668</u>
	\$ <u>3,087,848</u>

NOTE 4 - RETIREMENT PLAN

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund ("TRF") and the Indiana Public Employees' Retirement Fund ("PERF"), both of which are cost-sharing multiple-employer defined benefit retirement plans 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. Under the plans, the School contributed 7.5% of compensation for teaching faculty to TRF and 11.2% of compensation for other employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2016 (the latest year reported), both TRF and PERF were more than 80% funded.

Retirement plan expense was \$199,677 and \$155,109 for the years ended June 30, 2017 and 2016, respectively.

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

NOTE 5 - COMMITMENTS

The School operates under a charter granted by the Mayor's Office. As the sponsoring organization, the Mayor's Office exercises certain oversight responsibilities. This charter agreement remains in effect until June 30, 2021, and is renewable by mutual consent. The Mayor's Office generally assesses a fee equal to 1% of the basic tuition support received by its sponsored schools. The School reached an agreement with the Mayor's Office to not pay any administrative fees for the years ended June 30, 2017 and 2016.

The School has contracted with Concept Schools, Inc. (Concept) to provide ongoing training and consultation, personnel, recruitment and admissions, and other services. Under the terms of the agreement, the School has agreed to pay an amount equal to 10% of revenues, as defined, for such services. For fiscal year 2017, Concept did not reduce its fee. For fiscal year 2016, Concept agreed to reduce its fee by \$61,807. This fee reduction is included in contribution income in the accompanying statements of activities and change in net assets. Expense under this agreement was \$410,794 and \$368,597 for the years ended June 30, 2017 and 2016, respectively. This agreement is renewable annually.

NOTE 6 - RISKS AND UNCERTAINTIES

The School 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 the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2017 and 2016, substantially all of the grants receivable balance was due from the State of Indiana. In addition, deposits are maintained at PNC Bank and BMO Harris Bank and are insured up to the FDIC insurance limit. At June 30, 2017 and 2016, and periodically through the year, cash balances exceed the FDIC insurance limit.

NOTE 7 - FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated between programs and management services.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.
OTHER REPORT
For the Year Ended June 30, 2017

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

Supplemental Audit Report of Indiana Math and Science Academy – Indianapolis, Inc.

The Supplemental Audit 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*.

INDIANA MATH AND SCIENCE ACADEMY – INDIANAPOLIS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

<u>Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Awards Expended</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 136,520
National School Lunch Program	10.555		<u>249,286</u>
<i>Total for federal grantor agency</i>			<u>385,806</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Pass-Through Indiana Department of Education			
Title I, Part A Cluster			
Grants to Local Educational Agencies	84.010	17-9785	458,432
Special Education Cluster		14217-563-PN01	
Special Education - Grants to States	84.027	14216-563-PN01	90,121
English Language Acquisition State Grants	84.365	01116-102-PN01	7,709
Improving Teacher Quality State Grants	84.367		<u>45,540</u>
<i>Total for federal grantor agency</i>			<u>601,802</u>
Total Federal Awards Expended			\$ <u><u>987,608</u></u>

See independent auditors' report and accompanying notes to this schedule

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Indiana Math and Science Academy - Indianapolis, Inc. (the "School") under programs of the federal government for the year ended June 30, 2017. 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 the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

NOTE 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.



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Indiana Math and Science Academy - Indianapolis, 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, the financial statements of Indiana Math and Science Academy - Indianapolis, Inc. (the "School"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2017.

Internal Control Over Financial Reporting

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

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Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent 'D'.

Indianapolis, Indiana
December 15, 2017



Donovan CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

The Board of Directors
Indiana Math and Science Academy - Indianapolis, Inc.

Report on Compliance for Each Major Federal Program

We have audited Indiana Math and Science Academy - Indianapolis, Inc.'s (the "School") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School'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 requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School'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 (CFR) 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 the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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Opinion on Each Major Federal Program

In our opinion, Indiana Math and Science Academy - Indianapolis, Inc. 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, 2017.

Report on Internal Control over Compliance

Management of Indiana Math and Science Academy - Indianapolis, Inc. 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 School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing 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 the School'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.

DONOVAN



Indianapolis, Indiana
December 15, 2017

INDIANA MATH AND SCIENCE ACADEMY - INDIANAPOLIS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditors' 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)?	No
Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Cluster Grants to Local Educational Agencies
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

No matters were reportable.

III. Federal Award Findings and Questioned Costs

No matters were reportable.