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April 11, 2018

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


We have reviewed the report prepared by Tindley Accelerated Schools Inc. and opined upon by Crowe Horwath LLP, Independent Public Accountants, for the period July 1, 2016 to June 30, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Tindley Accelerated Schools 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.

We call your attention to the finding in the report on page 26. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding.

In our opinion, Crowe Horwath LLP 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 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 Supplemental Audit Report are filed in our office as a matter of public record.


Paul D. Joyce, CPA
State Examiner

TINDLEY ACCELERATED SCHOOLS, INC.

FINANCIAL STATEMENTS

June 30, 2017 and 2016

TINDLEY ACCELERATED SCHOOLS, INC.
Indianapolis, Indiana

FINANCIAL STATEMENTS
June 30, 2017 and 2016

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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, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tindley Accelerated Schools, Inc. as of June 30, 2017 and 2016, 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, and schedules of activities - school level are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2018, 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 22, 2018

TINDLEY ACCELERATED SCHOOLS, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 4,298,609	\$ 7,569,242
Grants receivable	402,179	165,347
Contributions receivable (Note 2)	588,495	797,001
Prepaid expenses	122,020	3,621
Land, buildings, and equipment, net (Note 3)	<u>7,727,260</u>	<u>7,104,096</u>
Total assets	<u>\$ 13,138,563</u>	<u>\$ 15,639,307</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 481,536	\$ 1,390,333
Due to grantor	200,000	250,000
Capital leases payable (Note 5)	220,857	678,869
Bonds and note payable, net (Note 6)	<u>12,698,765</u>	<u>13,313,875</u>
Total liabilities	13,601,158	15,633,077
Net assets		
Unrestricted	(1,092,765)	(875,297)
Temporarily restricted (Note 8)	<u>630,170</u>	<u>881,527</u>
Total net assets	<u>(462,595)</u>	<u>6,230</u>
Total liabilities and net assets	<u>\$ 13,138,563</u>	<u>\$ 15,639,307</u>

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS, INC.
STATEMENT OF ACTIVITIES
Year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues			
Federal and state grants	\$ 15,686,624	\$ -	\$ 15,686,624
Contributions	617,528	112,014	729,542
Program service fees	410,122	-	410,122
Investment income	12,586	-	12,586
Loss on disposal of fixed assets	(1,135)	-	(1,135)
Net assets released from restrictions (Note 8)	<u>363,371</u>	<u>(363,371)</u>	<u>-</u>
Total public support and revenues	<u>17,089,096</u>	<u>(251,357)</u>	<u>16,837,739</u>
Expenses			
Elementary School	6,751,624	-	6,751,624
Middle School	4,026,195	-	4,026,195
High School	2,502,554	-	2,502,554
General and administrative	3,885,488	-	3,885,488
Fundraising	<u>159,908</u>	<u>-</u>	<u>159,908</u>
Total expenses	<u>17,325,769</u>	<u>-</u>	<u>17,325,769</u>
Change in net assets from continuing operations	(236,673)	(251,357)	(488,030)
Gain from discontinued operations (Note 1)	<u>19,205</u>	<u>-</u>	<u>19,205</u>
Change in net assets	(217,468)	(251,357)	(468,825)
Net assets, beginning of year	<u>(875,297)</u>	<u>881,527</u>	<u>6,230</u>
Net assets, end of year	<u>\$ (1,092,765)</u>	<u>\$ 630,170</u>	<u>\$ (462,595)</u>

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>
Public support and revenues			
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>
Expenses			
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>
Change in net assets	(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>
Net assets, end of year	<u>\$ (875,297)</u>	<u>\$ 881,527</u>	<u>\$ 6,230</u>

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (468,825)	\$ (2,510,856)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,111,871	1,028,212
Loss on disposal of fixed assets	1,135	169,371
Gain on loan forgiveness	-	(500,000)
Change in assets and liabilities		
Grants receivable	(236,832)	30,334
Contributions receivable	208,506	94,466
Prepaid expenses	(118,400)	196,149
Accounts payable and accrued expenses	(908,797)	487,023
Due to grantor	(50,000)	250,000
Net cash from operating activities	<u>(461,342)</u>	<u>(755,301)</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(1,730,256)</u>	<u>(445,173)</u>
Net cash from investing activities	<u>(1,730,256)</u>	<u>(445,173)</u>
Cash flows from financing activities		
Repayment on capital lease obligation	(458,012)	(392,076)
Repayment on bonds and notes payable	(621,023)	(230,223)
Repayment on line of credit	-	(250,000)
Draw on line of credit	-	250,000
Proceeds from notes payable	-	8,651,118
Net cash from financing activities	<u>(1,079,035)</u>	<u>8,028,819</u>
Net change in cash and cash equivalents	(3,270,633)	6,828,345
Cash and cash equivalents, beginning of year	<u>7,569,242</u>	<u>740,897</u>
Cash and cash equivalents, end of year	<u>\$ 4,298,609</u>	<u>\$ 7,569,242</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 234,227	\$ 274,679
Capital lease obligation	-	153,885

See accompanying notes to financial statements.

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 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 gains on discontinued operations in the statement of activities for the year ended June 30, 2017 and 2016 in accordance with ASC 205-20. The assets and liabilities of Arlington High School as of June 30, 2016 and 2017 are presented on the schedules of financial position- school level. There are no assets held for sale at June 30, 2016 or 2017. The winding down of Arlington High School operations is ongoing as of June 30, 2017.

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).

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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, 2017 and 2016.

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, 2017 and 2016, the grants receivable balance relates to federal support due within one year totaling \$402,179 and \$165,347, 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, 2017 and 2016. 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.

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, 2017 and 2016, 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 \$200,000 and \$250,000 for the years ending June 30, 2017 and 2016. Annual payments are being made until fully paid in 2020.

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, 2017 and 2016.

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.

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

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 2017 and 2016, expenses totaling \$0 and \$80,167 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: The Organization entered into a capital lease agreement with CSDCPC Tindley, LLC for the use of a new building for Summit Academy. The lease begins on August 1, 2017 and has a 15-year term expiring August 1, 2032. Annual rent for fiscal year 2018 and 2019 is \$147,610 and subject to a 1% annual increases thereafter. The Organization has the option to purchase the building any time during the lease term for a purchase price of \$1,417,500.

Management has performed an analysis of the activities and transactions subsequent to June 30, 2017, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2017. Management has performed their analysis through March 22, 2018, 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>2017</u>	<u>2016</u>
Unconditional contributions receivable	\$ 588,495	\$ 809,015
Less unamortized present value discount	<u>-</u>	<u>(12,104)</u>
	<u>\$ 588,495</u>	<u>\$ 797,001</u>
Amounts due in:		
Less than one year	\$ 558,495	\$ 565,218
One to five years	<u>30,000</u>	<u>243,797</u>
	588,495	809,015
Less unamortized present value discount	<u>-</u>	<u>(12,104)</u>
	<u>\$ 588,495</u>	<u>\$ 797,001</u>

Qualifying contributions receivable were discounted using the IRS discount rate of 2.0% for 2017 and 2016. During 2017, management deemed the present value discount to be immaterial.

Management determined that no allowance for doubtful accounts was necessary for the years ended June 30, 2017 and 2016, respectively.

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 3 - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 125,000	\$ 125,000
Buildings and improvements	7,752,150	6,275,449
Machinery and equipment	5,435,429	5,236,852
Textbooks	<u>1,003,472</u>	<u>948,493</u>
	14,316,051	12,585,794
Less: accumulated depreciation	<u>(6,588,791)</u>	<u>(5,481,698)</u>
	<u>\$ 7,727,260</u>	<u>\$ 7,104,096</u>

Depreciation expense for the year ended June 30, 2017 and 2016 was \$1,105,958 and \$1,022,299.

NOTE 4 - OPERATING LEASES

The Organization leases five buildings and certain equipment under various non-cancelable operating leases, which expire at various dates through June 2042. In 2013, the Organization entered into building leases for the Tindley Preparatory Academy, Tindley Renaissance Elementary School, and Tindley Collegiate Academy, which includes an option to purchase the buildings between year 3, and year 6 of the agreement, that management intends to exercise by June 30, 2019. If these options are not exercised, the leases may be continued for an additional 23 years for a total amount of \$68,868,298.

Future minimum lease payments under operating leases at June 30, 2017, are as follows:

2018	\$ 2,511,335
2019	2,349,179
2020	73,724
2021	<u>38,973</u>
	<u>\$ 4,973,211</u>

Operating lease expenses for the year ended June 30, 2017 and 2016 was approximately \$2,417,564 and \$2,510,536.

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>2017</u>	<u>2016</u>
Furniture	\$ 1,757,567	\$ 1,757,567
Accumulated amortization	<u>(1,063,574)</u>	<u>(639,831)</u>
	<u>\$ 693,993</u>	<u>\$ 1,117,736</u>

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

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 5 - CAPITAL LEASE PAYABLE (Continued)

Future minimum lease payments under the capital lease at June 30, 2017, are as follows:

2018		\$	181,234
2019			55,716
Total			236,950
Interest due			(16,093)
			\$ 220,857

NOTE 6 - BONDS AND NOTES PAYABLE

Bonds and notes payable consist of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</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, 2017 and 2016), maturing in July 2033.	\$ 3,726,427	\$ 3,879,869
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, 2017 and 2016), maturing in July 2018. Secured by third party pledge and assets held in a capital management account.	854,311	889,326
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.*	1,312,849	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.*	1,872,134	1,970,678
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.*	\$ 2,378,435	2,503,616

TINDLEY ACCELERATED SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 - BONDS AND NOTES PAYABLE (continued)

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.*	1,748,503	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>906,631</u>	<u>954,349</u>
Total outstanding bonds and notes payable	12,799,290	13,420,313
Bond issuance cost, net	<u>(100,525)</u>	<u>(106,438)</u>
	<u>\$12,698,765</u>	<u>\$13,313,875</u>

*Note: Beginning in January 2017, the Indiana Department of Education began withholding payments due on the notes payable to the State of Indiana from basic grant monthly distributions made to the schools.

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 and the Organization had to obtain a waiver from the bank through June 30, 2017. At June 30, 2017, the Organization was not in compliance with certain covenants. On February 8, 2018, the Organization entered into a forbearance agreement with the lender relating to the bonds payable and five-year term loan disclosed above. As part of the agreement, principal payments are halted beginning March 1, 2018. Interest-only payments are due monthly at the prime rate minus 50 basis points through September 1, 2018 when principal and interest payments begin again. The forbearance agreement waives the covenant calculation until June 30, 2019 while also requiring the Organization to maintain a \$2,500,000 cash deposit balance and meet additional reporting requirements. The forbearance period ends no later than February 8, 2019.

Estimated future principal payments due on long-term debt are:

2018	\$ 985,601
2019	1,830,588
2020	1,024,314
2021	1,029,725
2022	1,035,994
Thereafter	<u>6,893,068</u>
	<u>\$ 12,799,290</u>

Interest expense for the year ended June 30, 2017 and 2016 was \$191,584 and \$285,895

TINDLEY ACCELERATED SCHOOLS, INC.
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017 and 2016

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 was 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. The Organization did not secure a line of credit during fiscal year 2017. There was no interest expense during 2017 and 2016.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Athletics	\$ 7,634	\$ 68,534
Physics and chemistry laboratories	250,000	250,000
Capital campaign – time restriction	338,495	547,001
Other	<u>34,041</u>	<u>15,992</u>
	<u>\$ 630,170</u>	<u>\$ 881,527</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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Charter School Growth Fund	\$ -	\$ 500,000
Capital campaign – time restriction	270,520	503,766
Athletics	60,900	9,930
Other	<u>31,951</u>	<u>60</u>
	<u>\$ 363,371</u>	<u>\$ 1,013,756</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 related to PERF and TRF for the years ended June 30, 2017 and 2016 was \$123,065 and \$386,654, respectively.

Full-time employees may also elect to participate in a 403(b) retirement plan. The Organization will match employee contributions up to 5% of salary and employees are fully vested after 4 years. Plan expense was \$94,480 and \$100,105, respectively, for the years ended June 30, 2017 and 2016.

SUPPLEMENTARY INFORMATION

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF FINANCIAL POSITION- SCHOOL LEVEL
June 30, 2017

	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
ASSETS									
Cash and cash equivalents	\$ 4,258,450	\$ -	\$ 1,874	\$ 10,532	\$ 13,403	\$ 7,105	\$ 7,245	\$ -	\$ 4,298,609
Grants receivable	37,414	-	38,916	37,633	162,928	64,731	60,557	-	402,179
Contributions receivable	588,495	-	-	-	-	-	-	-	588,495
Due from related parties	23,067,277	114,908	7,119,568	6,353,888	8,563,070	5,524,248	3,533,110	(54,276,069)	-
Prepaid expenses	-	-	40,909	34,748	46,363	-	-	-	122,020
Land, buildings, and equipment, net	<u>5,073,914</u>	<u>-</u>	<u>98,312</u>	<u>285,204</u>	<u>353,757</u>	<u>1,647,841</u>	<u>268,232</u>	<u>-</u>	<u>7,727,260</u>
Total assets	<u>\$ 33,025,550</u>	<u>\$ 114,908</u>	<u>\$ 7,299,579</u>	<u>\$ 6,722,005</u>	<u>\$ 9,139,521</u>	<u>\$ 7,243,925</u>	<u>\$ 3,869,144</u>	<u>\$ (54,276,069)</u>	<u>\$ 13,138,563</u>
LIABILITIES AND NET ASSETS									
Liabilities									
Accounts payable and accrued expenses	\$ 77,260	\$ 487	\$ 88,643	\$ 114,054	\$ 148,824	\$ 27,228	\$ 25,040	\$ -	\$ 481,536
Due to related parties	25,129,176	100,160	7,594,973	4,786,779	6,962,244	6,069,464	3,633,273	(54,276,069)	-
Due to grantor	200,000	-	-	-	-	-	-	-	200,000
Capital leases payable	46,326	-	-	67,414	64,985	21,674	20,458	-	220,857
Bonds and notes payable, net	<u>4,480,213</u>	<u>-</u>	<u>1,312,849</u>	<u>1,872,134</u>	<u>2,378,435</u>	<u>1,748,503</u>	<u>906,631</u>	<u>-</u>	<u>12,698,765</u>
Total liabilities	29,932,975	100,647	8,996,465	6,840,381	9,554,488	7,866,869	4,585,402	(54,276,069)	13,601,158
Net Assets									
Unrestricted	2,474,155	14,261	(1,698,636)	(128,376)	(414,967)	(622,944)	(716,258)	-	(1,092,765)
Temporarily restricted	<u>618,420</u>	<u>-</u>	<u>1,750</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>630,170</u>
Total net assets	<u>3,092,575</u>	<u>14,261</u>	<u>(1,696,886)</u>	<u>(118,376)</u>	<u>(414,967)</u>	<u>(622,944)</u>	<u>(716,258)</u>	<u>-</u>	<u>(462,595)</u>
Total liabilities and net assets	<u>\$ 33,025,550</u>	<u>\$ 114,908</u>	<u>\$ 7,299,579</u>	<u>\$ 6,722,005</u>	<u>\$ 9,139,521</u>	<u>\$ 7,243,925</u>	<u>\$ 3,869,144</u>	<u>\$ (54,276,069)</u>	<u>\$ 13,138,563</u>

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
ASSETS									
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
Land, buildings, and equipment, net	<u>5,234,678</u>	<u>-</u>	<u>252,351</u>	<u>443,457</u>	<u>566,623</u>	<u>297,817</u>	<u>309,170</u>	<u>-</u>	<u>7,104,096</u>
Total assets	<u>\$ 25,694,348</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>\$ 15,639,307</u>
LIABILITIES AND NET ASSETS									
Liabilities									
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, net	<u>4,662,757</u>	<u>-</u>	<u>1,381,946</u>	<u>1,970,678</u>	<u>2,503,616</u>	<u>1,840,529</u>	<u>954,349</u>	<u>-</u>	<u>13,313,875</u>
Total liabilities	<u>22,355,807</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>15,633,077</u>
Net Assets									
Unrestricted	2,469,248	(4,944)	(1,135,993)	219,839	(793,223)	(876,502)	(753,722)	-	(875,297)
Temporarily restricted	<u>869,293</u>	<u>-</u>	<u>2,380</u>	<u>4,000</u>	<u>908</u>	<u>4,946</u>	<u>-</u>	<u>-</u>	<u>881,527</u>
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>\$ 25,694,348</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>\$ 15,639,307</u>

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF ACTIVITIES - SCHOOL LEVEL
Year ended June 30, 2017

	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
Public support and revenues											
Federal and state grants	\$ 2,373,963	\$ -	\$ 1,673,689	\$ 2,198,033	\$ 4,605,463	\$ 2,583,528	\$ 2,251,948	\$ -	\$ 15,686,624	\$ -	\$ 15,686,624
Contributions	429,482	-	75,000	70,000	60,000	45,000	50,060	-	729,542	-	729,542
Program service fees	232,510	4,357	38,655	32,509	34,849	52,680	18,919	-	414,479	(4,357)	410,122
Investment income	11,624	3	130	123	269	263	177	-	12,589	(3)	12,586
Loss on disposal of fixed assets	(1,135)	-	-	-	-	-	-	-	(1,135)	-	(1,135)
Total public support and revenues	3,046,444	4,360	1,787,474	2,300,665	4,700,581	2,681,471	2,321,104	-	16,842,099	(4,360)	16,837,739
Expenses											
Elementary School	-	-	-	-	3,299,223	1,825,640	1,626,761	-	6,751,624	-	6,751,624
Middle School	-	-	1,846,450	2,179,746	-	-	-	-	4,026,196	-	4,026,196
High School	2,502,554	(11,647)	-	-	-	-	-	-	2,490,907	11,647	2,502,554
General and administrative	771,094	(3,151)	478,784	437,580	997,410	576,294	624,326	-	3,882,337	3,151	3,885,488
Fundraising	18,762	(47)	25,513	25,554	26,600	30,925	32,553	-	159,860	47	159,907
Total expenses	3,292,410	(14,845)	2,350,747	2,642,880	4,323,233	2,432,859	2,283,640	-	17,310,924	14,845	17,325,769
Change in net assets	(245,966)	19,205	(563,273)	(342,215)	377,348	248,612	37,464	-	(468,825)	\$ (19,205)	\$ (488,030)
Net assets, beginning of year	3,338,541	(4,944)	(1,133,613)	223,839	(792,315)	(871,556)	(753,722)	-	6,230		
Net assets, end of year	\$ 3,092,575	\$ 14,261	\$ (1,696,886)	\$ (118,376)	\$ (414,967)	\$ (622,944)	\$ (716,258)	\$ -	\$ (462,595)		

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
Public support and revenues											
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
Expenses											
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 EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2017

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	\$ 231,104
Summer Meals Program	10.559	K376	21,314
National School Lunch Program	10.555	K376	<u>543,173</u>
Total Child Nutrition Cluster U.S. Department of Agriculture			795,591
<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	1,237,727
Special Education Cluster			
Special Education - Grants to States	84.027	2015-2016	89,077
Special Education - Grants to States	84.027	2016-2017	<u>246,706</u>
Total Special Education Cluster			335,783
Charter School Program			
Implementation Year 2	84.282A	A58-7-17OT	227,778
Replication and Expansion	84.282M	PRU282M160038	<u>188,259</u>
			416,037
Supporting Effective Instruction State Grants	84.367	S367A150013	<u>14,929</u>
Total U.S. Department of Education			<u>2,004,476</u>
Total Expenditures of Federal Awards			<u>\$ 2,800,067</u>

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, 2017

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, 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 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, 2017, 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 22, 2018.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (Finding 2017-001).

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 Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
March 22, 2018

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 program for the year ended June 30, 2017. 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 program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Tindley Accelerated Schools Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

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

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
March 22, 2018

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2017

Section 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X 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? _____ Yes X 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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I 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 X No

TINDLEY ACCELERATED SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2017

Section II – Financial Statement Findings

Finding 2017-001 – Preparation of an Accurate Schedule of Expenditures of Federal Awards

Criteria: Uniform Guidance, Section 200,510(b) requires the auditee prepare a complete and accurate Schedule of Expenditures and Federal Awards (SEFA).

Condition: There is no documented policies or procedures, and no secondary review of the SEFA to ensure the completeness and accuracy of the report. Further, management could not support federal grant expenditures of \$20,942, which were drawn down during the fiscal year under audit.

Context: During our testing of the SEFA prepared by the auditee, we noted there was no reconciliation of general ledger activity to grant reports tracking federal expenditure activity. We also noted that the auditee was unable to provide supporting documentation for \$20,942 of federal grant expenditures incurred during the year. As a result, minor adjustments were made to the SEFA to properly reflect federal grant activity during the year under audit.

Effect: Financial reporting of federal expenditures could be inaccurate or incomplete.

Cause: The above condition appears to be the result of a lack of controls surrounding the grants management process. The Organization also experienced turnover in key accounting positions during the year under and grant reports supporting federal expenditures and claims made by former employees could not be located.

Repeat Finding: Yes.

Recommendation: We recommend management implement a secondary review of the SEFA to ensure financial and non-financial information is accurate and complete. We also recommend management reconcile federal grant expenses to federal grant revenue on the general ledger on a periodic basis to ensure general ledger activity is properly captured.

Views of responsible officials and planned corrective action:

Management agrees with the finding. A Grant Manager and a CFO were put in place in early 2017. Therefore, moving forward, the SEFA will be created by the Grant Manager with a secondary review by the CFO to insure it is complete and accurate and all proper information is captured.

The noted finding took place prior to the Grant Manager's arrival. Not only were trackers put in place when the Grant Manager began employment at the organization, but grant expenses are also now being reconciled to the G/L on a minimum of a quarterly basis, though most often monthly. This is being done by the Grant Manager with review by the CFO.

Section III – Federal Award Findings and Questioned Costs

None noted.

TINDLEY ACCELERATED SCHOOLS INC.
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2017

Finding 2016-001 – Controls Over Financial Reporting

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.

Status: Resolved.

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

Condition: There is no documented policies or procedures, and no secondary review of the SEFA to ensure the completeness and accuracy of the report.

Status: Not resolved. See Finding 2017-001.

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

Condition: 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.

Status: Resolved.

TINDLEY ACCELERATED SCHOOLS, INC.
OTHER REPORT
Year ended June 30, 2017

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*.