

February 28, 2013

The Board of Directors
Andrew J. Brown Academy
3600 N. German Church Road
Indianapolis, IN 46235

Dear Members of the Board of Directors:

We have performed audits of the financial statements of Andrew J. Brown Academy (the “Academy”) as of and for the years ended June 30, 2012 and 2011, in accordance with auditing standards generally accepted in the United States of America (“generally accepted auditing standards”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and have issued our report thereon dated February 28, 2013.

We have prepared the following comments to assist you in fulfilling your obligation to oversee the financial reporting and disclosure process for which management of the Academy is responsible.

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility under 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 (“generally accepted government auditing standards”), has been described in our engagement letter dated September 21, 2012. As described in that letter, the objective of financial statement audits conducted in accordance with generally accepted auditing standards is to express opinions on the fairness of the presentation of the Academy’s financial statements for the years ended June 30, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America (“generally accepted accounting principles”), in all material respects. In addition, the objective of audits conducted in accordance with generally accepted government auditing standards is to report on the Academy’s internal control over financial reporting and on its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the years ended June 30, 2012 and 2011 based on audits of financial statements performed in accordance with the standards applicable to financial audits contained in generally accepted auditing standards, in all material aspects. Our responsibilities under generally accepted auditing standards include forming and expressing opinions about whether the financial statements that have been prepared by management with the oversight of the Board of Directors are presented fairly, in all material respects, in conformity with generally accepted accounting principles. In addition, our responsibilities under generally accepted auditing standards include reporting on the scope and results of testing of the Academy’s internal control over financial reporting and compliance with laws, regulations, and provisions of contracts and grant agreements. The audit of the financial statements does not relieve management or the Board of Directors of their responsibilities.

We considered the Academy’s internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy’s internal control over financial reporting. Accordingly, we do not

express opinions on the effectiveness of the Academy's internal control over financial reporting. Our consideration of internal control over financial reporting was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are ordinarily based on knowledge and experience about past and current events and on assumptions about future events. There are no significant accounting estimates reflected in the Academy's 2012 or 2011 basic financial statements.

During the years ended June 30, 2012 and 2011 we are not aware of any significant changes in accounting estimates or in management's judgments relating to such estimates.

Significant Accounting Policies

The Academy's significant accounting policies are set forth in Note 2 to the Academy's 2012 financial statements. During the years ended June 30, 2012 and 2011, there were no significant changes in previously adopted accounting policies or their application.

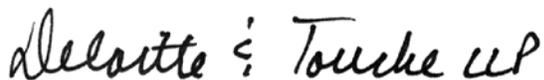
Management's Representations

We have made specific inquiries of the Academy's management about the representations embodied in the financial statements. Additionally, we have requested that management provide to us the written representations the Academy is required to provide to its independent auditors under generally accepted auditing standards. We have attached to this letter, as Appendix A, a copy of the representation letter we obtained from management.

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This report is intended solely for the information and use of the Board of Directors, management of the Academy, National Heritage Academies, Inc., the authorizing agencies, the Indiana Department of Education, and federal awarding agencies and state funding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,



cc: National Heritage Academies, Inc.
Appendix A: Representations from Management



February 28, 2013

Deloitte & Touche LLP
Suite 600
38 Commerce SW
Grand Rapids, MI 49503

We are providing this letter in connection with your audit of the financial statements of the governmental activities and each major fund of Andrew J. Brown Academy (the "Academy"), as of and for the year ended June 30, 2012 and 2011, which collectively comprise the Academy's basic financial statements for the purposes of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations or changes in net assets, and cash flows of the Academy in conformity with accounting principles generally accepted in the United States of America.

We confirm that we are responsible for the following:

- a. The fair presentation in the basic financial statements of financial position of the governmental activities and each major fund, and the aggregate remaining fund information, in conformity with accounting principles generally accepted in the United States of America.
- b. The fair presentation of the required supplementary information, including Management's Discussion and Analysis, and additional information accompanying the basic financial statements that are presented for the purpose of additional analysis of the basic financial statements.
- c. The design, implementation, and maintenance of programs and controls to prevent and detect fraud, including fraud related to federal awards
- d. Establishing and maintaining effective internal control over financial reporting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

1. The basic financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. In addition:
 - a. The financial statements include all joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

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- b. The financial statements properly classify all funds and activities, including special and extraordinary items.
 - c. All funds that meet the quantitative criteria in the GASB Codification of Government Accounting and Financial Reporting Standards section 2200.153 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 - d. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
 - e. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - f. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term and permanent endowments, or contributions to permanent fund principal.
 - g. Deposits and investment securities are properly classified in the category of custodial credit risk.
 - h. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
 - i. Required supplementary information is measured and presented within prescribed guidelines.
 - j. Applicable laws and regulations are followed in adopting, approving, and amending budgets.
 - k. Federal awards expenditures have been charged in accordance with applicable cost principles.
 - l. Revenues are appropriately classified in the statement of revenues, expenses, and changes in net assets
 - m. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations and are properly classified and, if applicable, approved.
 - n. Interfund, internal, and intra-Academy activity and balances have been appropriately classified and reported.
 - o. Required supplementary information is measured and presented within prescribed guidelines.

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2. The Academy has provided to you all relevant information and access as agreed in the terms of the audit engagement letter.
 3. The Academy has provided you:
 - a. Summaries of actions of recent Board of Directors meetings
 - b. Financial records and related data for all financial transactions of the Academy and for all funds administered by the Academy. The records, books, and accounts, as provided to you, record the financial and fiscal operations of all funds administered by the Academy and provide the audit trail to be used in a review of accountability. Information presented in financial reports is supported by the books and records from which the financial statements have been prepared.
 - c. Contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies.
 4. There has been no:
 - a. Action taken by Academy management that contravenes the provisions of federal laws and Indiana laws and regulations, or of contracts and grants applicable to the Academy
 - b. Communication from other regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
 5. The Academy has not performed a risk assessment, including the assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 6. We have no knowledge of any fraud or suspected fraud affecting the Academy involving:
 - a. Management.
 - b. Employees who have significant roles in internal control over financial reporting.
 - c. Others if the fraud could have a material effect on the financial statements.
 7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Academy received in communications from employees, former employees, analysts, regulators, or others.
 8. There are no unasserted claims or assessments that legal counsel has advised us are probable of assertion and must be disclosed in accordance Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.

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9. The Schedule of Expenditures of Federal Awards was prepared in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have identified in that schedule all awards provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations. We have also properly identified subrecipient expenditures.
 10. Significant assumptions used by us in making accounting estimates are reasonable.
 11. We are responsible for compliance with local, state, and federal laws, rules, and regulations, including compliance with the requirements of OMB Circular A-133, and provisions of grants and contracts relating to the Academy's operations. We are responsible for establishing and maintaining the components of internal control relating to our activities in order to achieve the objectives of providing reliable financial reports, effective and efficient operations, and compliance with laws and regulations. The Academy is responsible for maintaining accounting and administrative control over revenues, obligations, expenditures, assets, and liabilities.
 12. We have included in the financial statements all assets and liabilities under the Academy's control.
 13. We believe that internal control over the receipt and recording of contributions is adequate.
 14. We have:
 - a. Identified the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program as identified in Part 3 of the Compliance Supplement dated June 2012 and the Indiana Charter Schools Manual.
 - b. Complied, in all material respects, with the requirements identified above in connection with federal awards.
 - c. Identified and disclosed interpretations of any compliance requirements that have varying interpretations
 - d. Made available all information related to federal financial reports and claims for advances and reimbursements. Federal financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared and are prepared on a basis consistent with that presented in the Schedule of Expenditures of Federal Awards. The copies of federal program financial reports provided are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through Entity, as applicable

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- e. Taken appropriate corrective action on a timely basis after receipt of a subrecipient's auditor's report that identifies noncompliance with laws, regulations, or the provisions of contracts or grant agreements
 - f. Considered the results of the subrecipient's audits and made any necessary adjustments to the auditee's own books and records
 - g. Identified and disclosed all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews related to the objectives of the audit
 - h. Identified previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit and the corrective actions taken to address significant findings and recommendations, including the status of follow-up on prior audit findings (and information about all management decisions) by federal awarding agencies and pass-through Entities
 - i. Provided to you our views on the reported findings, conclusions, and recommendations for your report.
15. We are responsible for follow-up on all prior-year(s) findings. We have prepared a summary schedule of prior-year findings reporting the status of our efforts in implementation of the prior-year's corrective action plan.
 16. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on federal programs.
 17. Management has identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts
 18. There were no deficiencies in the design or operation of internal control over financial reporting identified as part of our evaluation, including separately disclosing to you all such deficiencies that are significant deficiencies or material weaknesses in internal control over financial reporting.
 19. We have disclosed to you the accounting conventions used when preparing our financial statements. We believe the effect of applying these conventions and the use of such application is immaterial to the financial statements.
 20. The Academy has considered any potential unrelated business income tax items.



Except where otherwise stated below, matters less than \$1,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to, or disclosure in, the financial statements.

21. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements.
22. The Academy has no plans or intentions that may affect the carrying value or classification of assets and liabilities.
23. The following, to the extent applicable, have been appropriately identified, properly recorded, and disclosed in the financial statements:
 - a. Related-party transactions and associated amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees (written or oral)
 - b. Guarantees, whether written or oral, under which the Academy is contingently liable.
24. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. All estimates have been disclosed in the financial statements for which known information available prior to the issuance of the financial statements indicates that both of the following criteria are met:
 - a. It is at least reasonably possible that the estimate of the effect on the financial statements of a condition, situation, or set of circumstances that existed at the date of the financial statements will change in the near term due to one or more future confirming events
 - b. The effect of the change would be material to the financial statements.
25. Risks associated with concentrations, based on information known to management, that meet all of the following criteria have been disclosed in the financial statements:
 - a. The concentration exists at the date of the financial statements
 - b. The concentration makes the enterprise vulnerable to the risk of a near-term severe impact
 - c. It is at least reasonably possible that the events that could cause the severe impact will occur in the near term.

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26. There are no:
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency
 - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450, *Contingencies*.
 27. The Academy has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 28. The Academy has complied with all aspects of contractual agreements that may have an effect on the financial statements in the event of noncompliance.
 29. No department or agency of the Academy has reported a material instance of noncompliance to us.
 30. No events have occurred after June 30, 2012, but before February 28, 2013, the date the financial statements were available to be issued that require consideration as adjustments to or disclosures in the financial statements.
 31. Management has disclosed whether, subsequent to June 30, 2012, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses have occurred.
 32. Management has disclosed all contracts or other agreements with the Academy's service organizations.
 33. Management has disclosed all communications from the Academy's third-party service organizations relating to noncompliance with the Academy's operations at those service organizations.
 34. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed in the financial statements.
 35. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
 36. We have complied with all of the provisions of our charter with the authorizing agency.
 37. There have been no significant reductions in insurance coverage during fiscal year 2012 and 2011, and claims did not exceed coverage in the past three fiscal years.

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38. The Academy has received proceeds from several federal and state grants. Periodic audits of these grants may result in certain costs being questioned as not being appropriate expenditures, which result in the refund of grant monies to the grantor agencies. Management believes that any required refunds would be immaterial.
 39. Assets purchased with federal funds have not been improperly disposed of or encumbered and they have not been sold or converted to non-federal use.
 40. The Academy operates under a charter approved by the authorizing agency, which is responsible for oversight of the Academy's operations. The charter expires August 14, 2017, and is subject to renewal. Management believes the charter will be renewed in the ordinary course of business.
 41. We have appropriately identified and properly recorded and disclosed in the financial statements all interfund transactions, including repayment terms.
 42. We believe that all expenditures that have been deferred to future periods are recoverable.
 43. Regarding required supplementary information:
 - a. We confirm that we are responsible for the required supplementary information
 - b. The required supplementary information is measured and presented in accordance with the prescribed guidelines.
 - c. The methods of presentation of the supplementary information have not changed from those used in the prior period
 44. Regarding supplementary information:
 - a. We are responsible for the fair presentation of the supplementary information in accordance with the prescribed guidelines
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with the prescribed guidelines
 - c. The methods of presentation of the supplementary information has not changed from those used in the prior period
 44. Provision has been made for any loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices.
 45. We have identified all uncertain tax positions.

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46. The units of account selected for uncertain tax positions are consistent with the manner in which the Company prepares and supports its income tax return and the approach the Company anticipates that the tax authorities will take during examinations.
 47. The recognition of tax benefits is limited to only those tax positions that are more likely than not, based solely on the technical merits of the tax positions, of being sustained upon examination.
 48. The measurement of those tax positions that meet the more-likely-than-not recognition threshold has been determined as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement with a taxing authority that would have full knowledge of all relevant information.
 49. The recognition and measurement of tax positions is based upon the facts, circumstances, and information available as of the reporting date.




Steve Klotz, Interim Chief Executive Officer,
National Heritage Academies, Inc.



Susan Beans, Interim Chief Financial Officer,
National Heritage Academies, Inc



Kathy Schaaphok, Director of School Accounting
National Heritage Academies, Inc.