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March 14, 2013

Charter School Board
Christel House Academy, Inc.
2717 South East Street
Indianapolis, IN 46225

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Sikich, LLP, Independent Public Accountants, for the period July 1, 2011 to June 30, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Christel House Academy, Inc., as of June 30, 2012, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In addition to the report presented herein, a Supplemental Audit Report for Christel House Academy, 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.

State Board of Accounts

Christel House Academy, Inc.

**Financial Statements
With Supplemental Information
June 30, 2012**



Christel House.
Academy

TABLE OF CONTENTS

| | |
|--|-------|
| INDEPENDENT AUDITORS' REPORT | 1-2 |
| FINANCIAL STATEMENTS: | |
| STATEMENT OF FINANCIAL POSITION..... | 3-4 |
| STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS..... | 5 |
| STATEMENT OF CASH FLOWS..... | 6 |
| NOTES TO FINANCIAL STATEMENTS..... | 7-13 |
| OTHER REPORTS AND SUPPLEMENTARY INFORMATION: | |
| SCHEDULE OF FUNCTIONAL EXPENSES | 14 |
| 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 <i>GOVERNMENT AUDITING STANDARDS</i> | 15-16 |
| SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS | 17-18 |
| NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS..... | 19 |
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 | 20-21 |
| SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... | 22 |
| OTHER REPORT..... | 23 |



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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Christel House Academy, Inc.
Indianapolis, Indiana:

We have audited the accompanying statement of financial position of Christel House Academy, Inc. (an Indiana non-profit organization) as of June 30, 2012, and the related statement of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Christel House Academy, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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; and the *Guidelines for the Audits of Charter Schools Performed by Private Examiners*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Christel House Academy, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2013, on our consideration of Christel House Academy, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information listed in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organization, and State Board of Audit Reports* and is also 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 basic 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. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Handwritten signature of Sikich, LLP in black ink.

Sikich LLP

Indianapolis, Indiana
February 27, 2013

CHRISTEL HOUSE ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS:

| | |
|-------------------|---------------|
| Cash | \$ 295,133 |
| Grants receivable | 2,139,003 |
| Prepaid expenses | <u>64,303</u> |

Total Current Assets 2,498,439

PROPERTY AND EQUIPMENT:

| | |
|---------------------------------|------------------|
| Furniture and equipment | 836,988 |
| Computer hardware | 482,803 |
| Computer software | 240,234 |
| Leasehold improvements | 92,209 |
| Books and educational materials | 100,347 |
| Less: accumulated depreciation | <u>(899,866)</u> |

Total Property and Equipment, net 852,715

\$ 3,351,154

CHRISTEL HOUSE ACADEMY, INC.
STATEMENT OF FINANCIAL POSITION
(continued)
JUNE 30, 2012

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|---|----------------------|
| Accounts payable | \$ 98,973 |
| Short-term advance from Christel House International | 945,896 |
| Accrued payroll | 237,524 |
| Accrued interest | <u>16,097</u> |
| Total Liabilities | <u>1,298,490</u> |

NET ASSETS:

| | |
|----------------------|--------------------------------|
| Unrestricted | 1,976,067 |
| Temporary restricted | <u>76,597</u> |
| Total Net Assets | <u>2,052,664</u> |
| | <u><u>\$ 3,351,154</u></u> |

See accompanying notes to financial statements.

CHRISTEL HOUSE ACADEMY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

| | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | <u>Total</u> |
|---|---------------------|----------------------------------|---------------------|
| REVENUES AND SUPPORT: | | | |
| School lunch program | \$ 30,290 | \$ - | \$ 30,290 |
| Student fees | 26,362 | - | 26,362 |
| Contributions and donations | 147,790 | - | 147,790 |
| Textbook rental | 2,146 | - | 2,146 |
| Grant revenue | 5,964,926 | 76,597 | 6,041,523 |
| Christel House DORS reimbursement | 172,162 | - | 172,162 |
| In-kind contributions | 417,079 | - | 417,079 |
| Interest income | 17 | - | 17 |
| Other revenue | 173,117 | - | 173,117 |
| Net assets released from restrictions by satisfaction of temporary restrictions | <u>18,064</u> | <u>(18,064)</u> | <u>-</u> |
| Total Revenues and Support | <u>6,951,953</u> | <u>58,533</u> | <u>7,010,486</u> |
| PROGRAM AND SUPPORTING SERVICE EXPENSES: | | | |
| Program services | 6,853,553 | - | 6,853,553 |
| Supporting services: | | | |
| General and administrative | 388,876 | - | 388,876 |
| Fundraising | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenses | <u>7,242,429</u> | <u>-</u> | <u>7,242,429</u> |
| CHANGE IN NET ASSETS | <u>(290,476)</u> | <u>58,533</u> | <u>(231,943)</u> |
| NET ASSETS , beginning of year | | | |
| As previously reported | 2,123,038 | 18,064 | 2,141,102 |
| Prior period adjustment for overstatement of short-term advance from Christel House International | <u>143,505</u> | <u>-</u> | <u>143,505</u> |
| NET ASSETS , beginning of year As restated | <u>2,266,543</u> | <u>18,064</u> | <u>2,284,607</u> |
| NET ASSETS , end of year | <u>\$ 1,976,067</u> | <u>\$ 76,597</u> | <u>\$ 2,052,664</u> |

See accompanying notes to the financial statements.

CHRISTEL HOUSE ACADEMY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012

| | |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$ (231,943) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | |
| Depreciation | 235,963 |
| (Increase) decrease in: | |
| Grants receivable | (241,286) |
| Prepaid expense | (13,141) |
| Increase (decrease) in: | |
| Accounts payable | (59,960) |
| Accrued payroll | (117,002) |
| Accrued interest | <u>16,097</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>(411,272)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of property and equipment | <u>(123,556)</u> |
| NET CASH USED BY INVESTING ACTIVITIES | <u>(123,556)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| Short-term borrowings from Christel House International | 1,312,833 |
| Short-term borrowing repayments to Christel House International | <u>(714,293)</u> |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>598,540</u> |
| NET INCREASE IN CASH | 63,712 |
| CASH AND CASH EQUIVALENTS - beginning of year | <u>231,421</u> |
| CASH AND CASH EQUIVALENTS - end of year | <u><u>\$ 295,133</u></u> |

See accompanying notes to the financial statements.

CHRISTEL HOUSE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Christel House Academy, Inc. (the "Academy") was incorporated in October 2001, under the laws of the State of Indiana and commenced operations in September 2002. The Academy is an inner-city Indianapolis charter school that provides outstanding education to underserved children by maintaining high standards of academic rigor, efficiency, and accountability. The Academy's primary source of revenue and support are grants from the Indiana Department of Education.

Basis of Accounting - The financial statements of the Academy have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses when the obligation is incurred.

Basis of Presentation - As required by Financial Statement Presentation Disclosure topic of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), the Academy is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Academy, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

Net Assets - The financial statements report amounts separately by class of net assets:

Unrestricted net assets - Unrestricted amounts are those currently available for use in the Academy's activities.

Temporarily restricted net assets - Temporarily restricted expendable amounts are those which are restricted by donors for specific purposes. As of June 30, 2012, the Academy had \$76,597 of temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations require that they be maintained permanently by the Academy. Generally, the donors of these assets permit the Academy to use all or part of the income earned on the related investments for general or specific purposes. As of June 30, 2012, the Academy had no permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Academy considers all investments purchased with a maturity of three months or less to be cash equivalents.

In the normal course of business, the Academy may maintain cash held at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) insured limits.

Grants Receivable - Grants receivable represent the uncollected portion of funds from grants awarded to the Academy.

Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require the allowance method to be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Property and Equipment - Property and equipment are recorded at cost or, if contributed, at the estimated fair value at the date of the gift. The Academy capitalizes additions of fixed assets in excess of \$1,000 cost or fair value, if contributed. Depreciation of property and equipment is computed using the straight-line method and based upon the estimated useful lives of the assets ranging from 3 to 40 years. Expenditures for property and equipment and for renewals or improvements which extend the originally estimated economic life of the assets are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred. When an asset is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense was \$235,963 for the year ended June 30, 2012.

Impairment of Long-lived Assets - The Academy evaluates long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. Management has determined that no impairment existed for the year ended June 30, 2012.

Contributed Materials and Services - Contributed services are recognized as contributions in accordance with Contributions Disclosure Topic of FASB ASC, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Academy. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment.

The Academy received \$417,079 of in-kind contributions during the year ended June 30, 2012. At June 30, 2012, these amounts consist of rent (\$370,738) provided at no charge by Christel House International, Inc. and nursing services (\$46,341) provided at no charge.

Volunteers provide program services throughout the year that are not recognized as contributions in the financial statements since they do not meet the recognition criteria under Contributions Disclosure Topic of FASB ASC. These services include volunteering at events, picking up donations, and various clerical work.

Revenue Recognition - The Academy reports grants of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the grant is received, the Academy reports the support as unrestricted.

Functional Expense Allocation - The costs of providing the various programs and other activities have been summarized in the statement of activities. Some expenses relate directly to specific programs or supportive services while others do not. Expenses that relate to more than one program or supporting service are allocated among the applicable functions. The allocation is based on a formula contained within the grant documents.

Costs are allocated to the programs and supporting services. Management periodically evaluates its allocation method and revises it when necessary. Management and general expenses include those expenses that are indirectly identifiable with other specific functions, but provide for the overall support and direction of the Academy.

Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could vary from the estimates that were used.

Advertising - The Academy expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2012 was \$15,557.

Income Taxes - The Academy is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. The Academy is not considered to be a private foundation. Accordingly, no provision for income taxes has been reflected in the Academy's financial statements.

The Academy has adopted the provisions of Uncertain Tax Positions Disclosure Topics of FASB ASC, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination. Measurement of the tax uncertainty occurs if the recognition threshold has not been met. This guidance also addresses de-recognition, classification, interest and penalties, disclosure, and transition. In the normal course of business, the Academy is subject to examination by taxing authorities. The Academy's tax returns for years subsequent to fiscal year 2008 are open, by statute, for review by authorities. However, at present there are no ongoing income tax audits or unresolved disputes with the various tax authorities that the Academy currently files or has filed.

Concentration of Credit Risk - Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of temporary cash investments and grants receivable.

The Academy places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. There was \$34,458 in excess of FDIC insured limits at June 30, 2012.

Concentrations of credit risk with respect to grants receivable are limited due to the Academy's ability to accomplish the terms of the grants. Credit losses, if any, have been provided in the financial statements and have been within management's expectations.

Operating Funds from the Indiana Department of Education amounted to 60% of the Academy's support and revenue for the year ended June 30, 2012. A state funding formula is used to determine the amount of revenue a charter school receives. The formula is based on the number of students enrolled in the school during the year.

NOTE 2 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

Education - The Academy offers education, special education, and instructional staff training programs for grades K-10. Education includes enhanced national and state-mandated educational objectives, implemented with a focus on character development and academic performance. Students participate in service learning projects and are exposed to an internationally focused perspective on the world. The Academy uses a curriculum designed to promote critical thinking skills, academic achievement, and personal development through the use of in-depth investigations that engage students in community, projects, and service. Special education is an addition to the Academy's core educational program. Instructional staff training program includes in house training on staff development days and off site training for teachers and interventionists.

NOTE 3 - OPERATING LEASES

The Academy entered into a 20 year lease with Christel House International, Inc. for educational facilities located at 2717 South East Street, Indianapolis, Indiana. The lease, which expires on January 31, 2023, requires semi-annual payments. During the year ended June 30, 2012, \$1,155,927 was expensed for educational facility rent.

The Academy also leases three copiers from Ikon Financial Services. One lease will expire in December of 2013 and the other copiers' lease will expire in March of 2015. During the year ended June 30, 2012, \$21,001 was expensed.

The future minimum rental payments required under the operating leases for the years subsequent to June 30, 2012 are as follows:

| <u>Year</u> | <u>Amount</u> |
|---------------------|----------------------|
| 2013 | \$ 1,197,442 |
| 2014 | 1,191,379 |
| 2015 | 1,185,731 |
| 2016 | 1,183,848 |
| 2017 and thereafter | <u>7,793,666</u> |
| | <u>\$ 12,552,066</u> |

NOTE 4 - PENSION PLAN

403(b) Plan

The Academy's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants may contribute to the Plan. The Academy offers an employer match of 1% of an employee's salary for those that contribute to the 403(b) plan up to 50% of contributions. In addition, employees have an option to opt out of PERF and TRF. If so, then employees receive an additional employer contribution to the 403(b) plan of 10.5% of their salary if eligible for TRF or 10% if otherwise eligible for PERF. There was a total 403(b) employer match of \$82,192 for the year ended June 30, 2012.

Indiana Public Retirement System

Plan Description

The Academy elected to become a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF), with the merger of the funds being effective as of July 1, 2011. The Academy contributes to INPRS, an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. INPRS is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. INPRS is a qualified plan under Internal Revenue Code Section 401(a) and is tax exempt.

INPRS is a contributory defined benefit plan that covers substantially all Academy employees. INPRS retirement benefits vest after 10 years of service. Senate Bill 74 enabled INPRS participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the pension benefit at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of INPRS-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement.

Participants who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

Participants have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol, Suite 001, Indianapolis, Indiana 46204.

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

The Academy contributes the employer's share to TRF for certified employees employed under a federally funded program and all the certified employees hired after July 1, 1995. The Academy currently receives partial funding, through the school funding formula, from the State of Indiana for this contribution. The employer's share of contributions for certified personnel who are not employed under a federally funded program and were hired before July 1, 1995, is considered to be an obligation of, and is paid by, the State of Indiana.

NOTE 5 - RELATED PARTIES

The Academy has two affiliated organizations, Christel House DORS and Christel House International, Inc.

Christel House DORS is a separate legal entity that runs its payroll through the Academy. Christel House DORS's employees are paid by the Academy who is then reimbursed by Christel House DORS. The Academy paid \$149,058 and was reimbursed \$172,162 for the year ended June 30, 2012. This reimbursement total includes amounts paid by the Academy in the year ended June 30, 2011.

Christel House International, Inc. (CHI) is an affiliated company of the Academy. CHI is a separately incorporated, not-for-profit organization that is not controlled by the Academy. CHI provides the Academy with advances as needed. During the year, the Academy received advances of \$525,000. As of June 30, 2012 the Academy has repaid these advances.

During the year ended June 30, 2012, the Academy received contributions from CHI of \$73,972 and in-kind contributions from CHI of \$370,738 as further explained in Note 1 under Contributed Materials and Services. The Academy also paid \$52,700 of interest to CHI during the year ended June 30, 2012.

In addition, the Academy rents its facility through CHI. If the Academy is unable to make a payment, it accrues in the note payable to CHI. For the year ended June 30, 2012, CHI allowed the Academy to accrue \$826,176 of rent and the Academy has repaid \$312,257. At June 30, 2012 the Academy had \$945,896 recorded as short-term advance from Christel House International under current liabilities.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2012 are available for the following purposes:

| | | |
|----------------------|----|---------------|
| Camptown | \$ | 9,980 |
| Music Energy Grant | | 5,000 |
| Classroom Innovation | | 24,621 |
| Serve America | | 253 |
| Drug Free | | 3,435 |
| Nutritional | | 898 |
| Tech Lift Challenge | | 1,046 |
| Reading First | | <u>31,364</u> |
| | \$ | <u>76,597</u> |

During June 30, 2012, temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. At June 30, 2012, the Academy had released \$18,064 of the Walton Grant from restrictions.

NOTE 7 - PRIOR PERIOD ADJUSTMENT

During 2012, the Academy discovered that the balance for the short-term advance from Christel House International was overstated by \$143,505 in the prior year. As a result, a prior period adjustment has been made to decrease the due to account balance and increase the balance in unrestricted net assets.

NOTE 8 - SUBSEQUENT EVENT

In preparing these financial statements, the Academy has evaluated subsequent events and transactions for potential recognition or disclosure through February 27, 2013, the date the financial statements were available to be issued.

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

| | <u>Program Service Expenses</u> | | | <u>Supporting Services</u> | | |
|------------------------------------|---------------------------------|---------------------|---------------------------------------|---------------------------------------|--------------------|---------------------------|
| | <u>Grants</u> | <u>Academics</u> | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
| Salaries and benefits | \$ 866,961 | \$ 2,628,731 | \$ 3,495,692 | \$ 185,677 | \$ - | \$ 3,681,369 |
| Instructional services | 136,374 | 239,485 | 375,859 | - | - | 375,859 |
| Accounting and payroll services | - | - | - | 93,779 | - | 93,779 |
| Administrative services | - | 18,433 | 18,433 | 970 | - | 19,403 |
| Legal services | - | - | - | 3,320 | - | 3,320 |
| Recruitment and placement | - | 4,588 | 4,588 | 242 | - | 4,830 |
| IT services | - | 25,181 | 25,181 | 1,325 | - | 26,506 |
| Professional development | - | 50,104 | 50,104 | - | - | 50,104 |
| Nursing services | - | 46,341 | 46,341 | - | - | 46,341 |
| Course materials and supplies | 32,589 | 123,865 | 156,454 | 3,260 | - | 159,714 |
| Nutritional support | - | 340,145 | 340,145 | - | - | 340,145 |
| Sales and marketing | - | 14,779 | 14,779 | 778 | - | 15,557 |
| Travel and entertainment | - | 39,901 | 39,901 | - | - | 39,901 |
| Vehicle and transportation expense | - | 206,131 | 206,131 | - | - | 206,131 |
| Facilities expense | - | 589,712 | 589,712 | 4,241 | - | 593,953 |
| Rent and facilities | - | 1,150,126 | 1,150,126 | 26,802 | - | 1,176,928 |
| Depreciation and amortization | - | 231,238 | 231,238 | 4,725 | - | 235,963 |
| Interest expense | - | - | - | 52,700 | - | 52,700 |
| Small equipment purchases | - | 40,963 | 40,963 | 2,156 | - | 43,119 |
| Treasurer bond | - | - | - | 5,941 | - | 5,941 |
| Athletics | - | 11,670 | 11,670 | - | - | 11,670 |
| Miscellaneous | - | 56,236 | 56,236 | 2,960 | - | 59,196 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total direct program expenses | <u>\$ 1,035,924</u> | <u>\$ 5,817,629</u> | <u>\$ 6,853,553</u> | <u>\$ 388,876</u> | <u>\$ -</u> | <u>\$ 7,242,429</u> |

**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**

To the Board of Directors
of Christel House Academy, Inc.
Indianapolis, Indiana:

We have audited the financial statements of Christel House Academy, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated February 27, 2013. We conducted our audit 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.

Internal Control over Financial Reporting

Management of Christel House Academy, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Christel House Academy, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over financial reporting.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Christel House Academy, Inc.'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 disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Christel House Academy, Inc.'s Board of Directors, management, others within the School, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in black ink that reads "Sikich, LLP". The signature is written in a cursive, flowing style.

Sikich LLP

Indianapolis, Indiana
February 27, 2013

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Total Federal Expenditures |
|---|------------------------------------|---|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| Passed through the Indiana Department of Education | | | |
| Child Nutrition Cluster | | | |
| School Breakfast Program | 10.553 | FY 2011-2012 | \$ <u>92,310</u> |
| National School Lunch Program | 10.555 | FY 2011-2012 | <u>298,319</u> |
| Summer Food Service Program for Children | 10.559 | FY 2011-2012 | <u>17,944</u> |
| Total for Child Nutrition Cluster | | | <u>408,573</u> |
| Total for U.S. Department of Agriculture | | | <u>408,573</u> |
| U.S. DEPARTMENT OF EDUCATION | | | |
| Passed through the Indiana Department of Education | | | |
| Title I, Part A Cluster | | | |
| Title I Grants to Local Educational Agencies | 84.010 | FY 2010-2011 | 100,900 |
| | | FY 2011-2012 | <u>499,312</u> |
| Total for program | | | 600,212 |
| ARRA - Title I Grants to Local Educational Agencies* | 84.389 | 10-9380 | <u>32,570</u> |
| Total for Title I, Part A Cluster | | | <u>632,782</u> |
| Special Education Cluster (IDEA) | | | |
| Special Education Grants to States | 84.027 | FY 2010-2011 | 11,575 |
| | | FY 2011-2012 | <u>8,165</u> |
| Total for program | | | <u>19,740</u> |
| Education Technology State Grants Cluster | | | |
| ARRA - Education Technology State Grants* | 84.386 | FY 2009-2010 | <u>1,316</u> |
| Charter Schools | 84.282 | FY 2011-2012 | <u>207,064</u> |
| Safe and Drug-Free Schools and Communities State Grants | 84.186 | | <u>628</u> |
| State Grants for Innovative Programs | 84.298 | FY 2011-2012 | <u>1,186</u> |
| ARRA-Education Job Fund* | 84.410 | FY 2011-2012 | <u>97,873</u> |

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 (continued)
 FOR THE YEAR ENDED JUNE 30, 2012

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Total Federal Expenditures</u> |
|---|------------------------------------|---|---------------------------------------|
| English Language Acquisition Grants | 84.365 | FY 2010-2011 | 12,953 |
| | | FY 2011-2012 | <u>12,774</u> |
| Total for program | | | <u>25,727</u> |
| Teacher Incentive Fund | 84.374 | FY 2011-2012 | <u>115,976</u> |
| Twenty-First Century Community Learning Centers | 84.287 | FY 2010-2011 | 146,104 |
| | | FY 2011-2012 | <u>14,209</u> |
| Total for program | | | <u>160,313</u> |
| Total U.S. Department of Education | | | <u>1,262,605</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 1,671,178</u> |

* Grant relates to the American Recovery and Reinvestment Act of 2009

CHRISTEL HOUSE ACADEMY, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards include the federal grant activity of Christel House Academy, Inc. and are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
of Christel House Academy, Inc.
Indianapolis, Indiana:

Compliance

We have audited Christel House Academy, Inc.'s compliance with types of compliance requirements described in the *U.S Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Christel House Academy, Inc.'s major federal programs for the year ended June 30, 2012. Christel House Academy, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Christel House Academy, Inc.'s management. Our responsibility is to express an opinion on Christel House Academy, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Christel House Academy, Inc.'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. Our audit does not provide a legal determination on Christel House Academy, Inc.'s compliance with those requirements.

In our opinion, Christel House Academy, Inc. complied, in all material respects, with the 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, 2012.

Internal Control Over Compliance

The management of Christel House Academy, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Christel House Academy, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, 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 Christel House Academy, Inc.'s internal control over compliance.

A deficiency in internal control 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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Christel House Academy, Inc.'s Board of Directors, management, others within the School, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Sikich LLP

Indianapolis, Indiana
February 27, 2013

CHRISTEL HOUSE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- Type of auditors’ report issued: **unqualified**

Government Auditing Statements:

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X No

Compliance:

- Noncompliance material to financial statements noted? _____ Yes X No

OMB Circular A-133:

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X No

Compliance with requirements applicable to each major program:

- Identification of major programs: **10.555 National School Lunch Program,
Title I, Part A Cluster**
- Dollar threshold used to distinguish between type A type B programs: **\$ 300,000**
- Auditee qualified as low-risk auditee? _____ Yes X No
- Type of auditors’ report issued on compliance for major programs: **unqualified**
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

SECTION II – FINANCIAL STATEMENTS FINDINGS

- *None*

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- *None*

CHRISTEL HOUSE ACADEMY, INC.
OTHER REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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

Supplemental Audit Report of Christel House Academy, Inc.