B41773

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

February 6, 2013

Charter School Board
Indianapolis Metropolitan High School
1635 W. Michigan St.
Indianapolis, IN 46222

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Greenwalt CPAs, Inc., 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 the Indianapolis Metropolitan High School, 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.

We call your attention to the findings in the report. Page 17 contains one current audit finding. Page 18 contains the status of one prior audit finding.

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

State Board of Accounts

INDIANAPOLIS METROPOLITAN HIGH SCHOOL

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JUNE 30, 2012

GREENWALT CPAs

We Deliver Peace of Mind

PH 317 241 2999
FAX 317 240 4485

GREENWALT CPAs

Greenwalt CPAs, Inc.
5342 W. Vermont Street
Indianapolis, IN 46224
www.greenwaltcpas.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Goodwill Education Initiatives, Inc.:

We have audited the accompanying statement of financial position of Indianapolis Metropolitan High School (an Indiana public charter school) as of June 30, 2012, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of Goodwill Education Initiatives, Inc.'s (GEI) 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 *Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources* and *Guidelines for the Audits of Charter Schools Performed by Private Examiners* established 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 Indianapolis Metropolitan High School 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 January 15, 2013, on our consideration of Indianapolis Metropolitan High School'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 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 of the financial statements of Indianapolis Metropolitan High School was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Greenwalt CPAs, Inc.

January 15, 2013

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 265,791
Charter school accounts receivable	1,943,386
Prepayments	1,307
Total current assets	2,210,484
PROPERTY AND EQUIPMENT	
Equipment	2,128,044
Vehicles	99,979
	2,228,023
Accumulated depreciation	(1,601,300)
Net property and equipment	626,723
TOTAL ASSETS	$ 2,837,207

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 262,428
Accrued liabilities	118,932
Total current liabilities	381,360
LONG-TERM LIABILITIES	
Common School Fund Growth Loans	1,182,998
Total liabilities	1,564,358
COMMITMENTS AND CONTINGENCIES (NOTE 6)	
NET ASSETS	
Unrestricted	1,263,498
Temporarily restricted	9,351
Total net assets	1,272,849
TOTAL LIABILITIES AND NET ASSETS	$ 2,837,207

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted	Temporarily Restricted	TOTAL
REVENUE			
State and Federal grants	$ 5,318,394	$ 9,351	$ 5,327,745
Student fees	47,797	-	47,797
Other income	137,869	-	137,869
Total revenue	5,504,060	9,351	5,513,411
SUPPORT			
Gifts and contributions	211,116	-	211,116
Gifts in-kind	957,000	-	957,000
Total support	1,168,116	-	1,168,116
Total revenue and support	6,672,176	9,351	6,681,527
EXPENSES			
High school instruction	2,554,653	-	2,554,653
Counseling services	334,591	-	334,591
Special Education	397,332	-	397,332
Extra curricular activities	84,086	-	84,086
Staff training and development	181,083	-	181,083
Office of the Principal and administration	849,560	-	849,560
Business support services	171,757	-	171,757
Building and equipment maintenance	46,261	-	46,261
Transportation	113,542	-	113,542
Food service	208,494	-	208,494
Non-capital equipment costs	117,513	-	117,513
Interest expense	34,369	-	34,369
Depreciation	317,496	-	317,496
Graduate scholarships	134,772	-	134,772
In-kind rent	773,594	-	773,594
Other expenses	55,538	-	55,538
Total expenses	6,374,641	-	6,374,641
CHANGE IN NET ASSETS	297,535	9,351	306,886
NET ASSETS, BEGINNING OF YEAR	965,963	-	965,963
NET ASSETS, END OF YEAR	$ 1,263,498	$ 9,351	$ 1,272,849

See accompanying notes to financial statements.

INCREASE IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	306,886
Depreciation		317,496
(Increase) decrease in operating assets:		
Charter school accounts receivable		(181,472)
Prepayments		11,114
Increase in operating liabilities:		
Accounts payable		115,393
Accrued liabilities		50,195
Net cash provided by operating activities		619,612
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment		(531,777)
INCREASE IN CASH AND CASH EQUIVALENTS		87,835
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		177,956
CASH AND CASH EQUIVALENTS, END OF YEAR	$	265,791
SCHEDULE OF NONCASH OPERATING ACTIVITIES		
In-kind rent and business support	$	957,000

1. Summary of Significant Accounting Policies

Description of Organization

The Indianapolis Metropolitan High School (the Met) is an Indiana public charter high school operating under the ownership and control of Goodwill Education Initiatives, Inc. (GEI). GEI, an Indiana non-profit corporation, provides educational opportunities designed to enable young people and adults to prepare for productive adult lives. GEI operates public charter high schools (the Met and the Excel Centers, interchangeably referred to herein as "the schools") in central Indiana, under the provisions of the Indiana Charter School laws and the chartering authorities of the Mayor of Indianapolis and the Indiana Charter School Board. GEI is a wholly-owned and controlled subsidiary of Goodwill Industries of Central Indiana, Inc. (Goodwill), also an Indiana non-profit corporation.

The Met occupies space at Goodwill's Indianapolis headquarters building. The Met occupies its space at no cost and recognized $773,594 of in-kind rent expense during the year ended June 30, 2012. The Met also contracts with Goodwill for certain business support services, as further described in Note 5. For the year ended June 30, 2012, the Met recognized $183,406 of in-kind business support service expense.

The schools receive the majority of their funding from the Indiana Department of Education. Their revenues are supplemented with funds from the United States Department of Education, private grants, and gifts. The Met is in its ninth year of operation and student enrollment for the most recently completed school year approximated 431 students.

The Met primarily serves underprivileged, at risk students in grades 9 through 12 in Indianapolis. Demographically, more than 80% of the Met's students qualify for free or reduced lunch, 84% identify themselves as a minority student, 25% have special needs, and the majority of incoming students arrive at the Met two or more grade levels behind in reading and math skills. Since inception, the Met has graduated 350 students and 235 of those graduates have gone on to some form of post-secondary education or training. The Met's objectives include sustaining a graduation rate of 75% and having 75% of its graduates go on to college.

Basis of Accounting

The accompanying financial statements were prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 support, revenues and expenses during the reporting period. For annual financial reporting purposes, the Met uses a fiscal year that begins on July 1 and ends the following June 30.

Cash and Cash Equivalents

The Met considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2012. The Met maintains cash balances at a commercial bank. Accounts at the banks are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

At June 30, 2012 the Met maintained cash and cash equivalents in excess of the FDIC coverage limits.

1. Summary of Significant Accounting Policies, Continued

Accounts Receivable

Accounts receivable are unsecured and are due from Indiana governmental entities and private funders over periods of time up to six months from the statement of financial position date.

Accounts receivable are stated at the amount determined by public statute or by the underlying private funding agreements. Generally, there is not significant risk of loss of these amounts due since they are statutorily determined and obligated. However, there is some risk that public funding from the State of Indiana could be reduced from amounts previously determined during periods of prolonged economic downturn. Management is unable to determine the likelihood of reduced funding, and has not recorded a reserve related thereto.

Property and Equipment

Property and equipment are recorded at historical cost. Depreciation is computed on the straight-line method over estimated useful lives ranging from 3 to 10 years for equipment. The Met does not own any real property.

Net Assets

The Met maintains the following classifications of net assets:

Unrestricted

These include revenue and expenses from the regular operations of the Met, which are at the discretion of management and the GEI Board of Directors.

Temporarily Restricted

These include donations and grant revenues used to meet expenses of current operations in accordance with restrictions specified by the donors or grantors. 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.

Contributions

Contributions are recognized when the donor makes an unconditional promise to give to the Met and are recorded at their fair values as revenues and assets in the period received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Advertising

Advertising and printing expenses totaled $29,582 in fiscal year 2012. The Met's policy is to record advertising expenditures in the period in which they are incurred.

1. Summary of Significant Accounting Policies, Continued

Functional Expense

A summary of expenses by functional classification for the year ended June 30 is as follows:

Program activities:		
Classroom instruction	$	4,427,034
Student counseling		334,592
Special education services		397,334
		84,085
Total program activities		5,243,045
Supporting activities:		
Program support	$	658,541
Administrative support		473,055
Total support activities		1,131,596
Total functional expense	$	6,374,641

Subsequent Events

Subsequent events have been considered through January 15, 2013, which was the date the financial statements were available to be issued. See Note 9.

2. Tax Status

GEI is an Indiana non-profit corporation and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. However, if income was generated from certain activities not directly related to GEI's tax-exempt purposes, such income would be subject to taxation as unrelated business income. GEI is not considered a private foundation as defined in Section 509(a) of the Internal Revenue Code.

Accounting Standards for Income Taxes provide detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. GEI's management team regularly evaluates its activities to determine that they are in compliance with its tax-exempt purpose. Currently, GEI's management does not believe it is engaged in any activities that would generate unrelated business income or create an uncertain tax position. GEI is no longer subject to examination by taxing authorities for fiscal years before 2008.

3. Long Term Debt

In prior years, the Met borrowed from the Indiana Common School Fund to fund its charter school operations and costs associated with enrollment growth. Loan repayments, including interest, are deducted monthly from state public tuition receipts. The outstanding balance on the loans from the Indiana Common School Fund was $1,182,998 at June 30, 2012. In 2009, the Indiana legislature enacted a moratorium on repayments of Common School Fund loans by charter schools for two years. Accordingly, the Met elected to suspend its loan and interest repayments. The 2011 Indiana legislative session extended the loan moratorium through June 30, 2013. Management is unable to determine the likelihood that the loan moratorium will be extended beyond that date. Interest on the loans continues to accrue during the moratorium. Accrued interest on the loans was $103,106 at June 30, 2012.

3. Long Term Debt, Continued

Details of the borrowings from the Indiana Common School Fund are as follows:

Year of Issuance	*Original Borrowing*	*Interest Rate*	*Term of Loan*	*Amount Outstanding as of June 30, 2012*
2004	$453,020	4%	20 years	$362,416
2005	$305,111	4%	20 years	$268,234
2006	$260,253	4%	20 years	$234,228
2010	$381,744	1%	3 years	$318,120
Total	$1,400,128			$1,182,998

Maturities of the long-term debt are as follows for the years ending June 30:

2013	$ -
2014	178,167
2015	178,167
2016	114,543
2017	50,919
Thereafter	661,202
	$ 1,182,998

4. Retirement Plan

The Met employees are employed and paid by GEI. Certain Met employees (licensed teachers, counselors and certain administrative staff) are eligible to participate in the Indiana Teachers Retirement Fund (TRF). By statute, employers are required to contribute 7.5% of an employee's pretax gross income to TRF. Employers may also elect to contribute an additional 3% in lieu of the employee's own contributions. GEI has elected to make the voluntary contribution on behalf of its eligible employees, including employees of the Met. In fiscal year 2012, the Met contributed $192,488 to TRF on behalf of its employees. Met employees not eligible for TRF may elect to participate in Goodwill's retirement plan. Goodwill maintains a discretionary thrift plan which allows eligible employees to contribute up to 15% of pre-tax gross income, subject to certain IRS limitations. Goodwill matches 100% of eligible employees' pre-tax contributions up to 3% of gross income, and 50% of the next 3% of gross income. Goodwill may also make additional discretionary contributions to the plan. Employer matching contributions vest after three years or in the event of death or disability. Employer discretionary contributions vest after five years or in the event of death or disability. The Met's expense relating to contributions to the Goodwill thrift plan for the fiscal years ended June 30, 2012 was $10,765.

5. Related Party Transactions

The Met is owned and operated by GEI. GEI provides employees, certain school-specific administrative services, and general management and oversight of the Met. GEI charges the Met for its expenses related to the services provided. No markup is added to the fees charged to the schools. During fiscal year 2012, the Met reimbursed $193,366 to GEI for administrative services.

From time to time, Goodwill provides interest-free loans and cash subsidies directly to the Met. At June 30, 2012, the Met had no borrowings from Goodwill. During fiscal year 2012, Goodwill provided cash subsidies to the Met totaling $112,500. The subsidies are recorded as Gifts and Contributions revenue on the Statement of Activities.

Goodwill also provides business support services (accounting, marketing, human resources, technology and general management) to the Met. Goodwill charges a portion of these costs to the schools without markup. The Met paid $45,000 to Goodwill for business support services in fiscal year 2012. Goodwill also provides space at its Indianapolis headquarters campus to the Met at no charge. The non-billed portion of the support services and contributed space is considered an in-kind contribution and is recorded as revenue in the Statement of Activities. In fiscal year 2012, Goodwill provided $957,000 of in-kind business services and contributed space. These in-kind transactions are treated as non-cash transactions and are excluded from the accompanying statements of cash flows.

Goodwill also pays certain operating expenses, including certain employee benefits, of the Met, for which the Met fully reimburses Goodwill. No markup is charged. In fiscal year 2012, the Met paid Goodwill $764,734 for these expenses.

At June 30, 2012, the Met owed Goodwill $78,514 for business support services and reimbursable operating expenses, which is included in Accounts Payable on the Statement of Financial Position.

Goodwill Industries Foundation of Central Indiana, Inc. (the Foundation) is an Indiana not-for-profit corporation related to Goodwill. The Foundation provides grants to the Met for school startup, new initiatives and college scholarships for qualifying Met graduates. During fiscal year 2012, the Met received $182,079 of grant revenue from the Foundation. This revenue is included in Gifts and Contributions on the Statement of Activities.

6. Future Grant Audits

Under the terms of state and federal grants awarded to the Met, periodic audits are required and certain costs may be challenged as to allow ability under the terms of the grants. Such audits could lead to reimbursement to the grantor. Management believes the likelihood that material costs incurred by the Met will be disallowed is remote.

7. Self-Insurance

The Met employees participate in Goodwill's health care benefits plan. Goodwill self-insures for employee and dependent medical benefits up to a per-individual annual maximum of $100,000, and an aggregate maximum of approximately $6.6 million. Goodwill purchases reinsurance which pays individual claims that exceed $100,000 per year, up to a per-individual maximum of $2 million, and up to $1 million beyond the aggregate self-insured maximum. The reinsurer reviews claims annually and upon renewal of the reinsurance policy each year may establish higher specific maximums on selected individuals with high claims risks. Goodwill purchases claims administration services from a third party administrator. Self-insured medical expenses and related administrative costs for the Met related to Goodwill's health care plan were $485,522 for the fiscal year ended June 30, 2012.

8. Subsequent Events

Subsequent to June 30, 2012, GEI entered into a bank line of credit from a commercial bank. The line expires September 30, 2013, provides for maximum borrowings of $1.5 million and bears interest at the bank's commercial rate (equal to the Prime rate) less one percent (a total of 2.25% as of December 3, 2012). After the line was secured, GEI borrowed $740,000 to finance startup costs, working capital, and capital expenditures for the Met and the Excel Centers. The Met's portion of the total amount borrowed was $180,000 and has since been repaid in full. The line of credit includes a non-use fee of 0.15% on the unused balance. Goodwill serves as a guarantor on the line of credit.

At the start of the 2012-13 school year in July 2012, the Met's student official enrollment declined from 431 to 330. This will result in a public funding decrease of approximately $670,000 on an annual basis, commencing in January, 2013 and continuing through December 2013. The Met's operating plans for the 2012-13 school year include the impact of this funding reduction.

INDIANAPOLIS METROPOLITAN HIGH SCHOOL
SCHEULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
Indiana Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	SY 2012	$ 22,001
National School Lunch Program	10.555	SY 2012	98,107
Total for Child Nutrition Cluster			120,108
U.S. DEPARTMENT OF EDUCATION			
Indiana Department of Education:			
Title I, Part A Cluster			
Education Jobs	84.010	SY 2011	94,234
Title I Grants to Local Educational Agencies	84.010A	SY 2010-2011	15,061
Title I Grants to Local Educational Agencies	84.010A	SY 2011-2012	211,492
Title I School Improvement Grant	84.010A	Project	78,804
Total for Title I, Part A Cluster			399,591
Special Education - Grants to States	84.027	14212-504-PN01	80,349
Innovative, Title V	84.298	FY09	5,414
Improving Teacher Quality State Grants	84.367	SY 2011	51,413
Teacher Incentive Fund	84.374	SY 2011 - 2012	70,346
School Improvement Grants Cluster			
1003g SIG Professional Development Support	84.377	SY 2012	49,547
School Improvement Grants, Recovery Act - ARRA	84.388	2010 - 2011	29,445
School Improvement Grants, Recovery Act - ARRA	84.388	2011 - 2012	709,470
Total for School Improvement Grants Cluster			788,462
Special Education Grant - ARRA	84.389	11-9670	7,415
			$ 1,523,098

NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Met 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, Audits 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 consolidated financial statements.

PH 317 241 2999
FAX 317 240 4485

Greenwalt CPAs, Inc.
5342 W. Vermont Street
Indianapolis, IN 46224
www.greenwaltcpas.com

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
Goodwill Education Initiatives, Inc.:

We have audited the financial statements of Indianapolis Metropolitan High School (the Met) as of and for the year ended June 30, 2012. 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 of America.

Internal Control Over Financial Reporting

Management of the Met is responsible for establishing and maintaining internal control over financial reporting. In planning and performing our audit, we considered the Met'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 Met's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Met'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 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.

Our consideration of the internal control over financial reporting 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 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 previously. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting at 2012-01. 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.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Met'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*.

The Met's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Met's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, specific legislative or regulatory bodies, 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.

Greenwalt CPAs, Inc.

January 15, 2013

PH 317 241 2999
FAX 317 240 4485

GREENWALT CPAs

Greenwalt CPAs, Inc.
5342 W. Vermont Street
Indianapolis, IN 46224
www.greenwaltcpas.com

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
Goodwill Education Initiatives, Inc.:

Compliance

We have audited the compliance of Indianapolis Metropolitan High School (the Met) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Met's major federal programs for the year ended June 30, 2012. The Met's major federal programs are identified in the summary of audit 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 the Met's management. Our responsibility is to express an opinion on the Met'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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits 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 the Met'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 the Met's compliance with those requirements.

In our opinion, the Met 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 the Met is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Met'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 Circular 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 Met'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.

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 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 the Board of Directors, management, specific legislative or regulatory bodies, 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.

Greenwalt CPAs, Inc.

January 15, 2013

A. SUMMARY OF AUDIT RESULTS

1. Type of auditors' report issued: unqualified

2. Internal control over financial reporting:

Material weakness(es) identified?	_______yes	___X___no
Significant deficiency(ies) identified?	___X___yes	_______none reported

3. Noncompliance material to financial statements noted? _______yes ___X___no

4. Internal control over major programs:

Material weakness(es) identified?	_______yes	___X___no
Significant deficiency(ies) identified?	_______yes	___X___none reported

5. Type of auditors' report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _______yes ___X___no

7. The program tested as a major program was the School Improvements Cluster and Title I Cluster CDFA 84.010A

8. The threshold for distinguishing between Type A and B programs was $300,000.

9. Auditee qualified as low-risk auditee? _______yes ___X___no

B. FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2012-01

Condition: Two of the Met's reimbursement based grants had revenues in excess of expenses at June 30, 2012. The excess had occurred as a result of expense reclassifications subsequent to the request for reimbursement and an inadvertent advance from the granting agency. However, the Met had incurred allowable expenses under the grants, with the exception of $9,351. This resulted in an audit adjustment to release $37,200 of revenue from restriction.

Criteria: The Met's financial reports and claim reimbursement requests should be reviewed by the Controller prior to submission in order to verify that expenses have been properly allocated to the grant and that misstatements have not occurred within the entity's financial reporting.

Cause: Expenses were reclassified after request for reimbursement.

Effect: The reclassifications resulted in an overstatement of temporarily restricted net assets at June 30, 2012.

Recommendation: We recommend that management review of the monthly financial results and expense allocations occur prior to submitting the request for reimbursement to the State.

View of Responsible Officials: We concur with the facts in this finding and would clarify that a number of issues combined to create this situation. We have since reconciled these grants with the Indiana Department of Education without penalty. We have also added a highly qualified school controller who has and will continue to ensure full compliance with grant budgets, timing and funding. We believe this is an isolated incident and will not recur, given the steps we have taken to improve the quality of the school accounting function.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None

C. PRIOR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

SIGNIFICANT DEFICIENCY

2011-01

Title I Part A Cluster Grants to Local Educational Agencies CFDA 84.010, 84.389

Condition: Proper internal controls were not in place to ensure that surplus cash was not on hand. The cash balances of the Title I grants exceeded the allowable cash balance based on the estimated future requirements for 8 of the 12 months in 2009-2010. The total cash balance of all Title I grants at June 30, 2010, as reported to the Department of Education, was $124,784, which was approximately 26 percent of the total Title I grants received during 2009-2010. The estimated cash needs in the few months subsequent to year end did not substantiate the need for this amount of cash.

Criteria: 34 CFR80.2(b)(7) states: "Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

Cause: A schedule of draw downs was included in the application for grant funds. Cash drawdown requests were not revised to ensure there would not be excess cash on hand throughout the school years.

Effect: Surplus cash indicates noncompliance with the cash management requirement as set forth by the grant agreement. Additionally, failure to minimize the cash on hand may cause future funding to be reduced by the pass-through agency.

Recommendation: We recommend that School Corporation Officials develop and implement procedures and controls to ensure that the time between receipt and disbursement of federal funds is minimized according to the grant requirements.

View of Responsible Officials: The Indianapolis Metropolitan High School received funding in advance during the 2009-10 school year. The total amount of the grant was taken and divided out for a 12 month period. The timing of purchases for Netbooks for each student enrolled in the high school did not match up with the grant money. During the 2010-11 school year, the method used to draw down funds changed to a reimbursement based system, which eliminated the issue found. School funds are now spent in advance and then reimbursed from the Department of Education. It is believed that this method will eliminate any reoccurrence of this problem.

Status: The corrective action was implemented.