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STATE OF INDIANA

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March 18, 2015

Charter School Board
Business Consulting, Inc. dba
Indiana Virtual School
510 E. 96th Street
Indianapolis, IN 46240

We have reviewed the Financial Statements and Independent Auditors' Report prepared by Charles Madden, PC, Independent Public Accountants, for the period July 1, 2011 to June 30, 2013. 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 Business Consulting, Inc. dba Indiana Virtual School, as of June 30, 2012 and 2013, 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 Business Consulting, Inc. dba Indiana Virtual School was prepared in accordance with the guidelines established by the State Board of Accounts.

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

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

INDIANAPOLIS, INDIANA

AUDITED FINANCIAL STATEMENTS

FOR THE FISCAL YEARS ENDED
JUNE 30, 2013 AND 2012

BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

INDIANAPOLIS, INDIANA

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CERTIFIED PUBLIC ACCOUNTANTS
CHARLES MADDEN PC
BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Business Consulting Inc. dba
Indiana Virtual School
2206 E. 96th St.
Indianapolis, IN 46240

We have audited the accompanying financial statements of Business Consulting Inc. dba Indiana Virtual School (a Not-for-Profit Corporation), which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Business Consulting Inc. dba Indiana Virtual School as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Respectfully submitted,

Charles Madden PC

January 22, 2015

850 Fort Wayne Ave
Indianapolis, IN 46204
Telephone 317-266-0480
Facsimile 317-639-5583

BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

EXHIBIT A

INDIANAPOLIS, INDIANA

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 79	$ 2,956
Accounts receivable (Notes 1 and 2)	0	16,853
Total – Current Assets	$ 79	$ 19,809
Property and Equipment (Note 1):		
Office equipment	$ 18,475	$ 18,475
Office furniture	8,992	8,992
Less: Accumulated depreciation	(9,959)	(4,980)
Total – Net Property and Equipment	$ 17,508	$ 22,487
Total – Assets	$ 17,587	$ 42,296
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 260,593	$ 83,816
Tuition reserve (Note 5)	14,980	14,980
Accrued interest (Note 3)	0	0
Total – Current Liabilities	$ 275,573	$ 98,796
Long-term liabilities:		
Long-term debt (Note 3)	$ 0	$ 0
Total – Liabilities	$ 275,573	$ 98,796
Net Assets:		
Unrestricted net assets (deficiency)	$ (257,986)	$ (56,500)
Total – Liabilities and Net Assets	$ 17,587	$ 42,296

The Accompanying Notes are an integral part of these Financial Statements.

BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

EXHIBIT B

INDIANAPOLIS, INDIANA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
REVENUES		
State education support	$ 298,095	$ 21,255
Contributions	78,550	94,989
Total – Revenues and Other Support	$ 376,645	$ 116,244
EXPENSES		
Educational instruction	$ 372,767	$ 129,844
Management and general	53,818	70,381
Total – Expenses	$ 426,585	$ 200,225
Change in net assets before non-operating expense	(49,940)	(83,981)
NON-OPERATING EXPENSE		
Loss due to changes in legislative funding (Note 9)	$ (151,546)	$ 0
Change in Net Assets	$ (201,486)	$ (83,981)
Net assets – beginning of year	(56,500)	27,481
Net assets (deficiency) – end of year	$ (257,986)	$ (56,500)

The Accompanying Notes are an integral part of these Financial Statements.

BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

EXHIBIT C

INDIANAPOLIS, INDIANA

STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH (USED IN) FROM OPERATING ACTIVITIES:		
(Deficiency) in net assets	$ (201,486)	$ (83,981)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	$ 4,980	$ 4,980
Decrease (increase) in accounts receivable	16,853	(16,853)
Increase in accounts payable and accrued expenses	176,776	83,816
Increase in tuition reserve	0	14,980
Total Adjustments	$ 198,609	$ 86,923
Cash (used in) from operating activities	(2,877)	2,942
CASH-Beginning of Year	$ 2,956	$ 14
CASH-End of Year	$ 79	$ 2,956

The Accompanying Notes are an integral part of these Financial Statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General

Business Consulting, Inc. dba Indiana Virtual School ("the School") is a public benefit not-for-profit organization incorporated under the laws of the State of Indiana. The School operates a public charter school established under Indiana Code 20-24 and is sponsored by Daleville Community Schools. The School commenced operations with the 2011-2012 school year.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act. Under the Act, the School receives an amount per student in relation to the funding received by public schools in the same geographic area. Funding from the State of Indiana is based on enrollment, and paid in equal monthly installments from January through December following the start of the school year. Revenue is recognized in the school year in which educational services are rendered.

Cash and Cash Equivalents

The School considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

Accounts Receivable

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

Taxes on Income

The School has received a determination letter from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the School would be subject to tax on income unrelated to its tax exempt purpose. For the years ended June 30, 2013 and 2012, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the School to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. The School has examined the issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending June 30, 2013 and June 30, 2012 are open to audit for both federal and state purposes.

Property and Equipment

Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $100 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives generally are as follows:

Furniture and equipment	3 to 7 years

NOTE 2: ACCOUNTS RECEIVABLE:

Accounts receivable from the State of Indiana for education support reflect the following amounts as of June 30, 2013 and 2012.

	2013	2012
Tuition support	$ 0	$ 16,853

Tuition support is determined by state law and is dependent upon the geographic location of the School and is indexed to poverty data of the enrolled students. The payment schedule is likewise determined by the state law with tuition payable in equal monthly installments by the State of Indiana in the calendar year following the start of the school year. Upon revocation or termination of the charter, the payment streams will cease and any unpaid amounts will be applied to the unpaid balance of loans from the Indiana Common School Fund (see Note 3). On June 26, 2013 the State of Indiana eliminated its funding due the School as part of its Legislative Funding Changes (See Note 9).

NOTE 3: LONG-TERM DEBT:

Long-term debt at June 30, 2013 consisted of a note payable to the Indiana Common School Fund. The note required semi-annual payments of principal and interest over a period of 20 years with interest at 4% per annum. In 2011, the Indiana Common School Fund granted a two-year moratorium on loan and interest payments. On June 26, 2013 the School was informed that this loan was forgiven and the School's loan balance was $0. The note was secured by unpaid tuition support distributions (See Notes 2 and 9).

NOTE 4: RELATED PARTY:

The School is related to AlphaCom, Inc. in that they have a common board member. AlphaCom, Inc. provides management services to the School under contract. During fiscal years ended June 30, 2013 and 2012, AlphaCom, Inc. charged the School a total of $284,486 and $117,919, respectively (see Note 8). At June 30, 2013 and 2012 the School owed AlphaCom, Inc. $214,686 and $62,900, respectively.

Currently, the School is operating out of a building owned by a board member and the School is not paying rent to the owner. The fair value of rent for the building is approximately $1,500 per month and is being recorded as a donation to the School and as rent expense.

NOTE 5: TUITION RESERVE:

The School booked a tuition reserve liability to reflect the possible repayment of student tuition to the state of Indiana. The school could not locate four (4) student enrollment folders as proof of enrollment in the 2011-2012 school year. Thus, the following calculation was completed to determine the amount of the reserve:

Total tuition assistance for 2011-2012 school year	$ 33,705
Divided by total ADM claimed	9
Tuition assistance per student	$ 3,745
Multiplied by number of missing folders	4
Tuition reserve liability	$ 14,980

NOTE 6: COMMITMENTS:

The School operates under a charter granted by Daleville Community Schools. As the sponsoring organization, Daleville Community Schools exercises certain oversight responsibilities. The charter remains in effect until July 2015, and is renewable thereafter by mutual consent.

NOTE 7: RISKS AND UNCERTAINTIES:

The School provides educational instruction services to families residing in Indiana and is subject to the risks of economic and competitive forces at work within this geographic area.

The majority of revenues relate to legislation enacted by the State of Indiana and one-time gifts and contributions. Changes in state or federal legislation could significantly affect the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liabilities to be imposed on the School.

Financial instruments that potentially subject the School to concentrations of credit risk consist principally of receivables from the State of Indiana. At June 30, 2012, all of the receivable balance was due from the State of Indiana.

NOTE 8: FUNCTIONAL EXPENSE REPORTING:

The costs of providing educational activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated between program and administrative services. Following is a summary of expenses comprising each program and service for the years ended June 30, 2013 and 2012.

June 30, 2013

	Educational Instruction	Management and General
Management fees	$ 284,986	$
Professional fees	36,680	
Professional fees – legal		14,400
Professional fees – accounting		2,000
Teacher pay	41,101	
Online courses	10,000	
Website design		9,761
Insurance		171
Interest expense		1,472
Rent expense		18,000
Utilities		324
Charter authorization fee		1,067
Repairs		350
Depreciation expense		4,980
Supplies and other		1,293
	$ 372,767	$ 53,818

June 30, 2012

	Educational Instruction	Management and General
Management fees	$ 117,919	$
Professional fees	5,200	
Professional fees – legal		14,228
Teacher pay	6,725	
Website design		17,098
Insurance		10,461
Rent expense		18,000
Dues & subscriptions		800
Utilities		512
Depreciation expense		4,980
Supplies and other		4,302
	$ 129,844	$ 70,381

NOTE 9: LEGISLATIVE FUNDING CHANGES:

In 2013, the Indiana legislature passed amendments to the Indiana Charter Schools Act that altered the manner in which charter schools are funded. Prior to enactment, charter schools received funding in monthly installments in the calendar year following the start of the academic school year. As such, the School followed the practice of recognizing at June 30 of each year a receivable for payments to be made to the School in the subsequent January through June time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding will be paid following the State of Indiana fiscal year of July to June, which is similar to the School's academic year. As part of this legislative amendment, the funding owed to the school under prior legislation for the period July to December 2013 was suspended.

In the same session, the Indiana legislature appropriated funding from the Indiana General Fund to repay Indiana Common School Fund loans accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School has applied for and received repayment of its indebtedness under these obligations as of June 26, 2013.

The effect of these legislative amendments has been reflected in the accompanying statements of activities, as a loss due to changes in legislative funding and is comprised of the following:

Repayment of Common School Fund loan	$ 64,271
Repayment of accrued interest on Common School Fund loan	1,472
Total Repayment	65,743
Suspension of school funding	$ (217,289)
Loss due to changes in legislative funding	$ (151,546)

NOTE 10: SUBSEQUENT EVENTS:

The School evaluated subsequent events through January 22, 2015, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

BUSINESS CONSULTING, INC. dba
INDIANA VIRTUAL SCHOOL

INDIANAPOLIS, INDIANA

OTHER REPORTS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

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

Supplemental Audit Report of Business Consulting, Inc. dba Indiana Virtual School

The Supplemental Audit Report contains the results of compliance testing required by the Indiana State Board of Accounts under its *Guidelines for the Audits of Charter Schools Performed by Private Examiners* pertaining to matters addressed in its *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools*.