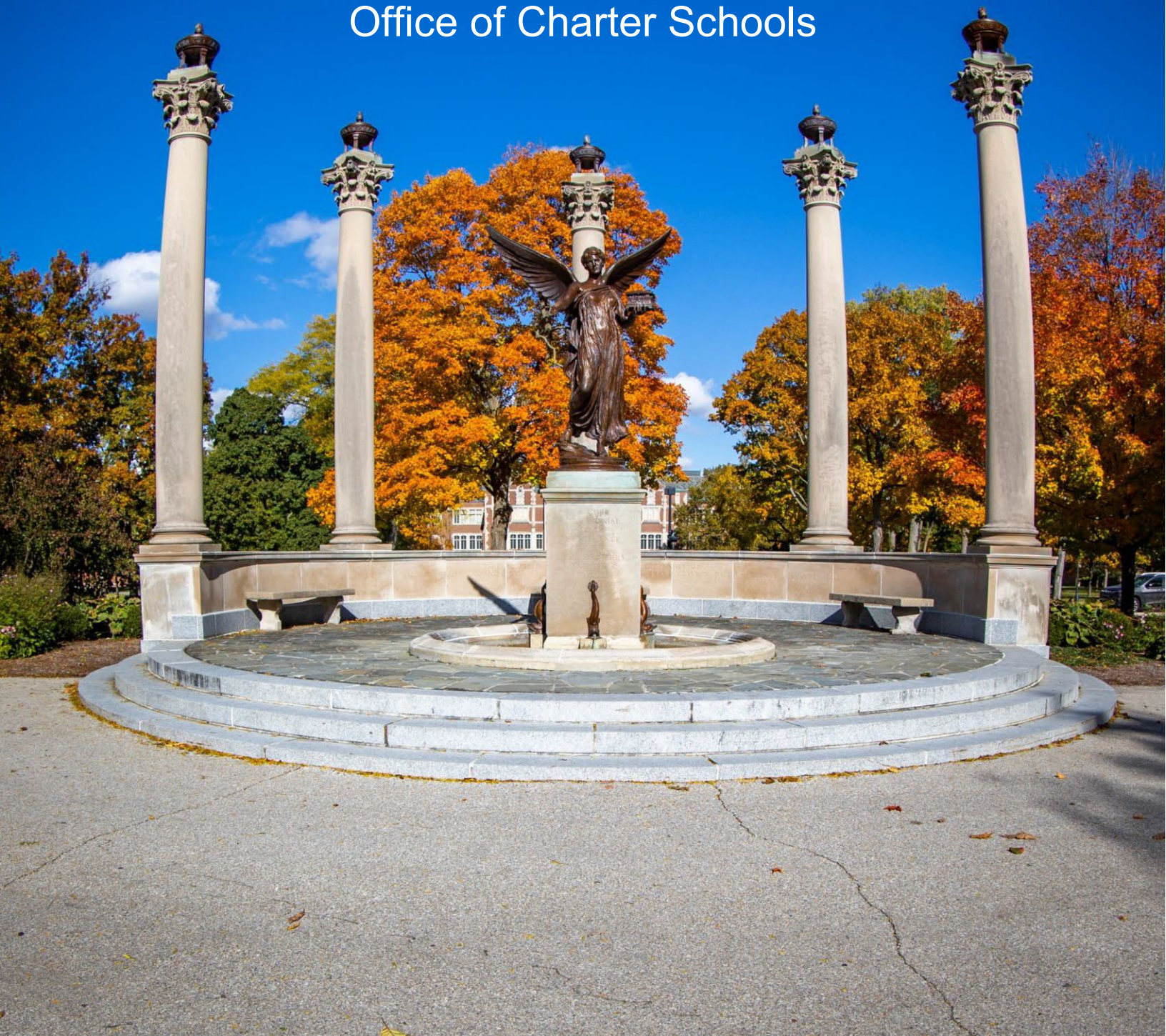




BALL STATE UNIVERSITY

2021-2022

Office of Charter Schools





BALL STATE UNIVERSITY

Office of Charter Schools

For more information about this report, contact

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Ball State University practices equal opportunity in education and employment and is strongly and actively committed to diversity within its community.

LETTER FROM THE ASSOCIATE DEAN FOR EQUITY AND ENGAGEMENT

BSU Office of Charter Schools



Ball State University serves as the largest public University authorizer of public charter schools in Indiana, with 24 schools throughout the state serving 16,332 students during 2021-22. In the 2022-23 school year Ball State will authorize 23 schools serving approximately 15,224 children. Our portfolio of charter schools reaches every corner of the state, representing diverse communities and needs.

As an authorizer for the last 20 years, Ball State University's Office of Charter Schools (OCS) continues its work to become a model for how an authorizer can improve its policies and practices, thereby improving the quality of schooling opportunities for students throughout Indiana. In 2011 OCS worked with the National Association of Charter School Authorizers (NACSA) to improve authorizing practices across the board for OCS and nationwide. OCS has continued to work with NACSA, our fellow Indiana authorizers, the Indiana Department of Education, and authorizers nationwide to improve authorizing practices nationwide and improve the charter school sector's performance in our state.

Our oversight of charter schools includes evaluating the academic, financial and organizational performance of each school we monitor. Both the internal OCS staff at Ball State, as well as third-party external evaluators conduct this work. Both perspectives provide us with a thorough look at a school's performance, and within the context of each school's unique community. OCS continues its work to become a model for how an authorizer can drastically improve its policies and practices. As we work with state partners to improve the performance and accountability of charter schools, we also serve as an advocate for all schools alongside traditional public schools.

The Teachers College's mission is dedicated to the development of future and current teachers and educational leaders who are responsive to diversity and the contextual foundations of teaching, learning and human development. OCS supports this mission by authorizing charter schools that meet the needs of the communities they serve. Each charter school is unique in its purpose and within the context of its broader community.

OCS is committed to assisting and supporting its charter schools and has put in place mechanisms and strategies to provide this assistance to its charter schools with the goal of improving student academic achievement and thereby increasing the percentage of Ball State authorized charters meeting or exceeding performance standards. As parents and communities continue to call for high quality educational options, Ball State University remains committed to meeting their needs, as do the many dedicated charter school administrators, teachers, staff and volunteers who serve on school boards, assist in the classrooms, and otherwise advance these public schools on behalf of their students.

Sincerely,

A handwritten signature in black ink that reads "Kendra Lowery". The signature is fluid and cursive.

Dr. Kendra Lowery, Associate Dean for Equity and Engagement, Teachers College

ACCOUNTABILITY REPORT CONTENT

BSU Office of Charter Schools

Overview

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General Information

BSU Academic Monitoring
Public Law 221 – Indiana's State Accountability Law (PL 221)
2021-22 Demographic Data

Comprehensive Review of BSU Charter Schools*



The Ball State University Office of Charter Schools is
pleased to provide this Accountability Report along
with additional information regarding data
summarized in this report
online: www.bsu.edu/teachers/charter

PURPOSE OF THE ACCOUNTABILITY REPORT

of BSU Charter Schools

Each year, the Ball State University Office of Charter Schools (OCS) publishes an accountability report indicating the performance of its authorized charter schools. This is the seventeenth annual accountability report.

The purpose of this report is to provide a performance snapshot of each charter school authorized by Ball State that operated during 2021-22, as well as a general summary of the success of the Ball State charter program. The accountability report provides information about each school's educational philosophy and approach; demographics of the school's student population; 2021-22 state student achievement data in the form of ILEARN, IREAD, ISTEP+ Grade 10 and graduation rates, as well as their annual financial audits.

When available, this report summarizes the performance of each school for the academic year 2021-22, and, when applicable, goes back five years in operation. School performance data is obtained from the state assessment program, and the ILEARN assessment. The Indiana Department of Education reports test results only at the school level by grade. Because individual student performance has not been made available to OCS, the office is presently unable to track individual student progress for the ILEARN assessment. Without individual student performance on the ILEARN, specific gains of those individual students from year-to-year cannot be tracked.

However, using Indiana's growth model data does provide some insight into the progress of students within BSU-authorized charter schools. Due to the COVID-19 pandemic, growth data for FY 2021-22 is not available. OCS recognizes that focusing on standardized test passing rates alone does not take into account such factors as the movement of individual students into and out of schools. This student mobility is significant for some of the Ball State-authorized schools, thereby masking performance gains of students who remain at a school for a number of years. Ideally, for accuracy, the performance of a school should be based on the impact of its educational program on the same students over a reasonable period of time.



OVERVIEW

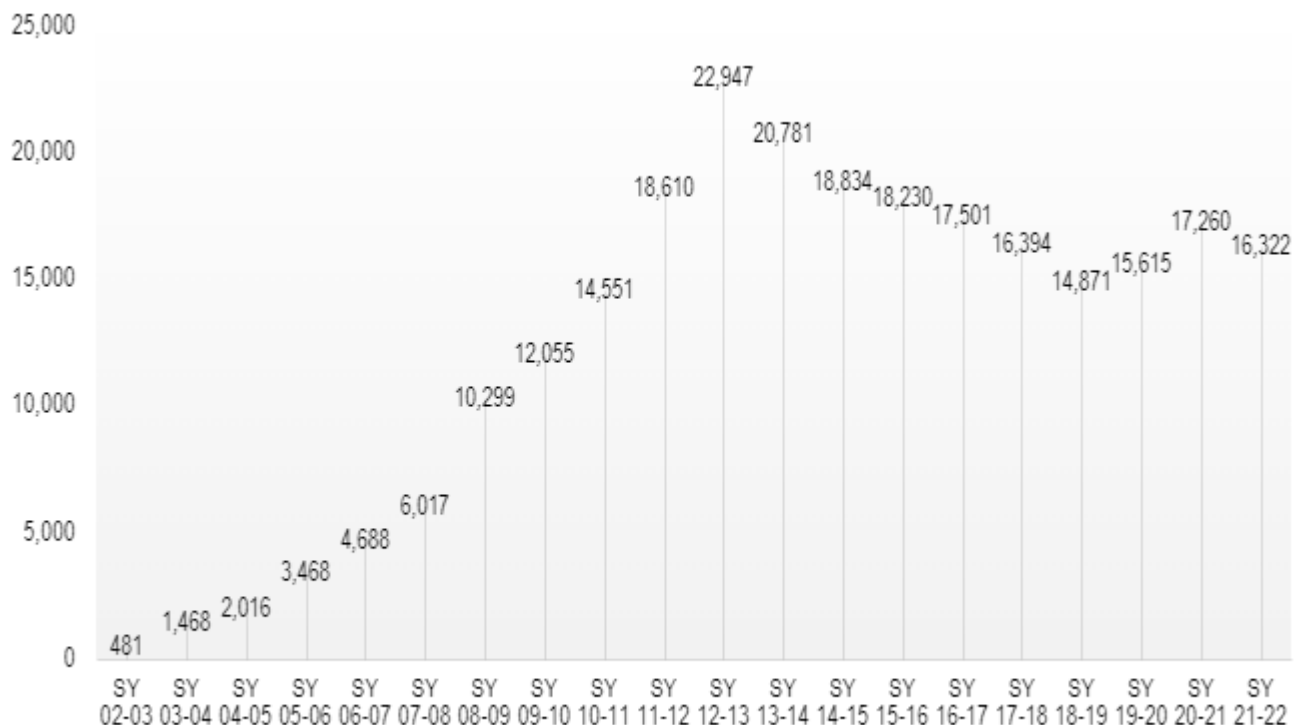
of BSU Charter Schools

What are Charter Schools?

Charter schools are independent, state-funded, public schools that are open to all students. Students do not pay tuition to attend these schools, which are designed and operated by educators, parents, and community leaders. In Indiana, charter schools may be authorized by a limited number of entities, such as the executive of a consolidated city or a state, public and private universities offering four-year degrees, and a state-wide authorizing board. Ball State has served as an authorizer since 2002.

Through these schools, Ball State University helps expand the educational choices available to Indiana students. Each school authorized by the University Similar to public schools, charter schools are held to high academic standards. Each Ball State-sponsored charter school is required to fulfill the conditions set forth in its charter, as well as to achieve the performance standards set forth in Ball State's Performance Frameworks, which serve as the accountability plan for all schools sponsored by Ball State. Charter schools must participate in state testing programs, provide open enrollment to all students, hire certified teachers, publish annual reports, and comply with Indiana Access Laws. The educational programs offered in charter schools are often new and innovative approaches to instruction that can be tailored to the specific needs of students. Charter schools are allowed considerable autonomy through the Indiana Charter Law.

Enrollment History of Ball State University Authorized Charter Schools (2021-22)



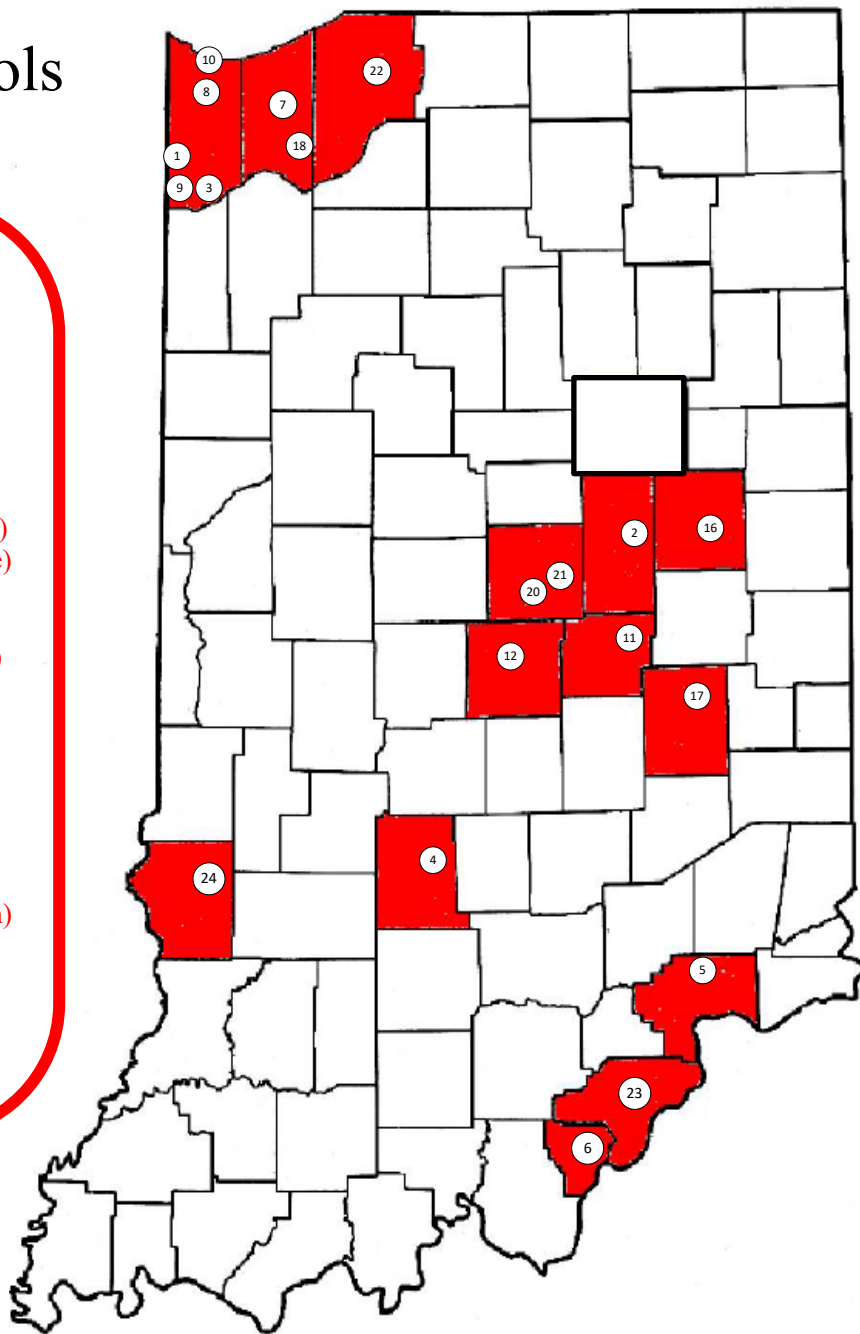
MAP OF BALL STATE CHARTER SCHOOLS

BSU Public Charter Schools (As of September 15, 2021)

1. *21st Century Charter School at Gary* 2005 (Lake)
2. *Anderson Preparatory Academy* 2008 (Madison)
3. *Aspire Charter Academy* 2008 (Lake)
4. *The Bloomington Project School* 2009 (Monroe)
5. *Canaan Community Academy* 2012 (Jefferson)
6. *Community Montessori* 2002 (Floyd)
7. *Discovery Charter School* 2010 (Porter)
8. *East Chicago Lighthouse Charter School* 2006 (Lake)
9. *East Chicago Urban Enterprise Academy* 2005 (Lake)
10. *Gary Lighthouse Charter School* 2005 (Lake)
11. *Geist Montessori Academy* 2006 (Hancock)
12. *HIM By HER Collegiate School for the Arts* (Marion)
13. *Indiana Connections Academy* 2012 (Virtual)
14. *Indiana Connections Career Academy* 2017 (Virtual)
15. *Insight School of Indiana* 2016 (Virtual)
16. *Inspire Academy* 2013 (Delaware)
17. *Mays Community Academy* 2015 (Rush)
18. *Neighbor's New Vista High School* 2012 (Porter)
19. *Options Indiana* (Virtual)
20. *Options Charter School - Noblesville* 2006 (Hamilton)
21. *Options Charter School – Westfield* 2004 (Hamilton)
22. *Renaissance Academy* 2007 (La Porte)
23. *Rock Creek Community Academy* 2010 (Clark)
24. *Rural Community Academy* 2004 (Sullivan)

EMO – 33% (8 schools)

Independent – 67% (16 schools)



DIVERSITY OF BSU CHARTER SCHOOLS

Serving as Indiana's first postsecondary institution authorizing public charter schools was one way the Ball State University demonstrated its commitment to redefining education and building better communities. Ball State University remains the largest postsecondary institution authorizer in the state. The chart below demonstrates the diversity found in BSU charter schools as compared to traditional public schools in the state of Indiana.

School Type Comparisons

2021-22	Traditional Public Schools		BSU Authorized Charter Schools		
Enrollment	1,036,697		16,462		
Ethnicity	Number**	Percent*	Number	Percent	Range
Black	134,114	12.9%	4,555	27.7%	0 – 90.1%
White	674,596	65.1%	8,968	54.5%	0.2 – 97.5%
Hispanic	140,920	13.6%	1,755	10.7%	1.3 – 56.9%
Multiracial	55,408	5.3%	964	5.9%	0.8 – 21.9%
Asian	28,923	2.8%	169	1.0%	0 – 4.5%
Native American	1,723	0.2%	37	0.2%	0 – 0.9%
Native Hawaiian/Pacific Island or Other	941	0.1%	14	0.1%	0 – 0.6%
Lunch (Free/Reduced/Paid)					
Free/Reduced	458,711	44.2%	8,492	51.6%	0 – 100%
Paid	577,986	55.8%	7,970	48.4%	0 – 100%
Special Education	175,866	17.0%	3290	20.0%	11.2 – 47.8%
English Language Learner	72,486	7.0%	430	2.5%	0 – 20.6%

2021-22 STUDENT ENROLLMENT

of BSU Charter Schools

School Name	Enrollment	Attendance Rate	Mobility	# of Students Suspensions	# of Students Expelled	Safety & Disciplinary Incidents	# of students with Chronic Absenteeism
21st Century Charter School at Gary	1329	87.8%	12.6%	291	14	18	604
Anderson Preparatory Academy	781	92.3%	16.8%	90	1	0	3
Aspire Charter Academy	663	89.7%	15.7%	103	7	4	257
The Bloomington Project School	331	94.0%	9.3%	5	0	0	24
Canaan Community Academy	126	92.7%	19.5%	14	0	3	67
Community Montessori Inc	527	96.5%	10.5%	37	1	1	33
Discovery Charter School	512	95.4%	9.7%	72	1	3	38
East Chicago Lighthouse Charter School	491	88.0%	12%	34	0	1	291
East Chicago Urban Enterprise Academy	418	93.2	4.5%	54	1	9	131
Gary Lighthouse Charter School	1196	85.5%	13.6%	141	11	2	712
Geist Montessori Academy	220	93.7%	15.5%	8	0	1	20
HIM by HER Collegiate School of the Arts	161	Data unavailable	Data unavailable	Data unavailable	Data unavailable	Data unavailable	Data unavailable
Hoosier College and Career Academy	639	90.1%	56.7%	Data unavailable	Data unavailable	Data unavailable	258
Indiana Connections Academy	506	98.4%	29.2%	10	1	0	711
Indiana Connections Career Academy	6255	98.5%	20.4%	Data unavailable	Data unavailable	Data unavailable	46
Inspire Academy	155	83.4%	15.1%	17	2	0	78
Mays Community Academy	152	90.9%	23.4%	13	Data unavailable	Data unavailable	38
Neighbors' New Vistas High School	195	73.5%	32.2%	22	2	4	218
Options Indiana	382	79.5%	39.1%	Data unavailable	Data unavailable	Data unavailable	307
Options Noblesville	224	83.3%		9	0	3	93
Options Westfield	170	86.3%		30	1	3	58
Renaissance Academy Charter School	266	93.7%	12.8%	0	0	0	43
Rock Creek Community Academy	644	94.2%	9.2%	Data unavailable	Data unavailable	Data unavailable	42
Rural Community Academy	119	96.5%	20.6%	9	0	0	13

2021-22 INCIDENTS OF SECLUSIONS OR RESTRAINTS

of BSU Charter Schools

School Name	# Chemical Restraints	# Mechanical Restraints	# Physical Restraints	Total Restraints	# Restraints Involving a Resource Office	# Seclusions	# Seclusions Involving a Resource Office
21st Century Charter School at Gary	0	0	0	0	0	0	0
Anderson Preparatory Academy	0	0	0	0	0	0	0
Aspire Charter Academy	0	0	0	0	0	0	0
The Bloomington Project School	0	0	0	0	0	0	0
Canaan Community Academy	0	0	0	0	0	0	0
Community Montessori Inc	0	0	1	1	0	0	0
Discovery Charter School	0	0	2	2	0	0	0
East Chicago Lighthouse Charter School	0	0	0	0	0	0	0
East Chicago Urban Enterprise Academy	0	0	3	3	0	0	0
Gary Lighthouse Charter School	0	0	0	0	0	0	0
Geist Montessori Academy	0	0	0	0	0	10	0
HIM by HER Collegiate School for the Arts	0	0	0	0	0	0	0
Hoosier College and Career Academy	0	0	0	0	0	0	0
Indiana Connections Academy	0	0	0	0	0	0	0
Indiana Connections Career Academy	0	0	0	0	0	0	0
Inspire Academy	0	0	15	15	0	1	0
Mays Community Academy	0	0	0	0	0	0	0
Neighbors' New Vistas High School	0	0	0	0	0	0	0
Options Charter Schools	0	0	9	9	0	0	0
Renaissance Academy Charter School	0	0	0	0	0	0	0
Rock Creek Community Academy	0	0	0	0	0	0	0
Rural Community Academy	0	0	0	0	0	0	0

INDIANA'S STATE ACCOUNTABILITY SYSTEM

Ball State University Authorized Charter Schools 2021-22 PL221 Status

Beginning with the 2011-12 school year, new metrics were used to assign category designations (letter grades) to schools. These new A-F grades were designed to improve transparency by allowing parents and community members to recognize how well Indiana schools are performing. The A-F model measures proficiency and growth on state assessments, and includes college and career readiness performance indicators for high schools. A more detailed explanation of how the A-F grade is calculated for schools can be found on the IDOE website. <https://www.doe.in.gov/accountability/indiana-student-centered-accountability>. Additionally, a detailed breakdown for each school is provided on their school's INview profile, if you click on the grade under "State Grade" at <https://inview.doe.in.gov/>

Due to the COVID-19 pandemic, Indiana received a waiver from calculating Federal Accountability ratings for the 2019-2020 school year. In addition, Indiana has requested a waiver for the 2020-2021 school year as well.

Pursuant to House Enrolled Act 1093 and Senate Enrolled Act 290, the state board may not assign A-F letter grades to schools or corporations, including adult high schools, for the 2021-2022 school year. The Indiana Department of Education (IDOE) will not be calculating A-F grades for schools or corporations for the 2021-2022 school year.

SCHOOL NAME	State Hold Harmless 2020-21	State Hold Harmless 2019-20	2018-19		2017-18	
			State	Federal	State	Federal
21st Century Charter School at Gary	C	C	D	Does not Meet	C	C
Anderson Preparatory Academy	B	B	D	Approaches Expectations	B	C
Aspire Charter Academy	D	D	D	Approaches Expectations	D	D
The Bloomington Project School	A	A	A	Meets Expectations	B	B
Canaan Community Academy	D	D	F	Approaches Expectations	D	F
Community Montessori	B	B	C	Approaches Expectations	B	B
Discovery Charter School	B	B	C	Meets Expectations	B	B
East Chicago Lighthouse	D	D	D	Approaches Expectations	D	D
East Chicago Urban Enterprise Academy	D	D	D	Approaches Expectations	D	D
Gary Lighthouse Charter School	C	C	D	Approaches Expectations	C	C
Geist Montessori Academy	B	B	C	Approaches Expectations	B	B
HIM by HER Collegiate School for the Arts	n/a	Not open	Not open	Not open	Not open	Not open
Hoosier College and Career Academy	C	C	C	Does Not Meet	C	D
Indiana Connections Academy	D	D	D	Approaches Expectations	D	F
Indiana Connections Career Academy	No Grade	No Grade	D	Does Not Meet	No Grade	No Grade
Inspire Academy	D	D	F	Does Not Meet	D	D
Mays Community Academy	A	A	D	Approaches Expectations	A	A
Neighbors' New Vistas High School	F	F	F	Does Not Meet	F	F
Options Indiana	n/a	Not open	Not open	Not open	Not open	Not open
Options Charter School - Carmel	Under Appeal	Under Appeal	F	Does Not Meet	D	F
Options Charter School Noblesville	Under Appeal	Under Appeal	F	Does Not Meet	F	F
Renaissance Academy Charter School	B	B	B	Meets Expectations	B	B
Rock Creek Community Academy	B	B	B	Meets Expectations	B	B
Rural Community Academy	C	C	F	Does Not Meet	C	C

INDIANA'S STATE ACCOUNTABILITY SYSTEM

BSU Authorized Charter Schools 2021-22 ILEARN Results

Corp Name	2021-22 Enrollment	ELA Below Proficiency	ELA Approaching Proficiency	ELA At Proficiency	ELA Above Proficiency	ELA Total Proficient	ELA Total Tested	ELA % Proficient
21st Century Charter Sch of Gary	1329	341	140	51	12	63	544	11.6%
Anderson Preparatory Academy	781	256	72	35	9	44	372	11.8%
Aspire Charter Academy	663	186	112	95	25	120	418	28.7%
The Bloomington Project School	331	31	41	80	68	148	220	67.3%
Canaan Community Academy	126	34	20	12	3	15	69	21.7%
Community Montessori Inc	527	85	54	46	22	68	207	32.9%
Discovery Charter School	512	88	83	90	63	153	324	47.2%
East Chicago Lighthouse Charter	491	182	83	34	8	42	307	13.7%
East Chicago Urban Enterprise Academy	418	127	73	37	22	59	259	22.8%
Gary Lighthouse Charter School	1196	324	102	39	15	54	480	11.3%
Geist Montessori Academy	220	31	26	32	29	61	118	51.7%
HIM by HER Collegiate School for the Arts	161	66	10	1	0	1	77	1.3%
Hoosier College and Career Academy	639	88	36	22	1	23	147	15.6%
Indiana Connections Academy	266	775	555	538	276	814	2144	38.0%
Indiana Connections Career Academy		22	32	16	9	25	79	31.6%
Inspire Academy - A Sch of Inquiry	155	58	19	13	0	13	90	14.4%
Mays Community Academy	152	29	23	20	5	25	77	32.5%
Options Charter Schools	776	76	44	17	9	26	146	17.8%
Renaissance Academy Charter School	266	37	30	60	20	80	147	54.4%
Rock Creek Community Academy	644	90	70	90	42	132	292	45.2%
Rural Community Schools Inc	119	30	23	14	2	16	69	23.2%
Statewide		171,971	117,449	121,871	81,245	203,116	492,536	41.2%

Corp Name	Math Below Proficiency	Math Approaching Proficiency	Math At Proficiency	Math Above Proficiency	Math Total Proficient	Math Total Tested	Math % Proficient	ELA & Math Total Proficient	ELA & Math % Proficient
21st Century Charter Sch of Gary	422	81	40	2	42	545	7.7%	21	3.9%
Anderson Preparatory Academy	286	53	27	6	33	372	8.9%	23	6.2%
Aspire Charter Academy	260	98	48	11	59	417	14.1%	47	11.3%
The Bloomington Project School	61	40	61	57	118	219	53.9%	110	50.5%
Canaan Community Academy	37	19	8	5	13	69	18.8%	9	13.0%
Community Montessori Inc	114	53	27	14	41	208	19.7%	32	15.6%
Discovery Charter School	105	79	78	61	139	323	43.0%	111	34.4%
East Chicago Lighthouse Charter	230	57	16	4	20	307	6.5%	15	4.9%
East Chicago Urban Enterprise Academy	157	64	31	6	37	258	14.3%	26	10.1%
Gary Lighthouse Charter School	395	70	18	3	21	486	4.3%	12	2.5%
Geist Montessori Academy	42	35	21	20	41	118	34.7%	41	34.7%
HIM by HER Collegiate School for the Arts	65	8	2	0	2	75	2.7%	0	0.0%
Hoosier College and Career Academy	130	14	2	1	3	147	2.0%	2	1.4%
Indiana Connections Academy	1222	467	297	156	453	2142	21.1%	378	17.7%
Indiana Connections Career Academy	49	21	8	1	9	79	11.4%	8	10.1%
Inspire Academy - A Sch of Inquiry	70	9	9	2	11	90	12.2%	7	7.8%
Mays Community Academy	40	16	14	7	21	77	27.3%	12	15.6%
Options Charter Schools	119	15	9	2	11	145	7.6%	5	3.5%
Renaissance Academy Charter School	42	29	46	30	76	147	51.7%	56	38.1%
Rock Creek Community Academy	104	68	77	44	121	293	41.3%	92	31.7%
Rural Community Schools Inc	39	18	10	2	12	69	17.4%	8	11.6%
Statewide	185,394	112,801	110,188	83,900	194,088	492,283	39.4%	148,704	30.2%

INDIANA'S STATE ACCOUNTABILITY SYSTEM

BSU Authorized Charter Schools 2021-22 IREAD Results

Like all public schools, charter schools are required to administer the Indiana Reading Evaluation and Determination (IREAD-3) assessment. The purpose of the IREAD-3 assessment is to measure foundational reading standards developed through grade three. Students who do not pass the spring assessment are retested in the summer. A school's final IREAD score is updated following the summer retest. Statewide 2022 IREAD-3 results show that overall, 81.2% of Indiana public school students passed the IREAD assessment in Summer 2022. Students who do not pass the summer retest, may be retained in third grade.

Corporation Name	Spring 2021-22			Combined Spring/Summer 2021-22		
	IREAD TEST N	IREAD PASS N	IREAD Pass %	IREAD TEST N	IREAD PASS N	IREAD Pass %
21st Century Charter School at Gary	54	46	85.2%	55	84	65.5%
Anderson Preparatory Academy	52	32	61.5%	35	51	68.6%
Aspire Charter Academy	n/a	n/a	n/a	49	63	77.8%
The Bloomington Project School	34	34	100.0%	36	40	90.0%
Canaan Community Academy	6	6	100.0%	9	16	56.3%
Community Montessori Inc	31	22	71.0%	25	38	65.8%
Discovery Charter School	62	55	88.7%	59	66	89.4%
East Chicago Lighthouse Charter School	38	28	73.7%	28	56	50.0%
East Chicago Urban Enterprise Academy	36	36	100.0%	41	50	82.0%
Gary Lighthouse Charter School	44	32	72.7%	37	64	57.8%
Geist Montessori Academy	24	21	87.5%	22	26	84.6%
HIM by HER Collegiate School for the Arts	3	0	0.0%	3	22	13.6%
Indiana Connections Academy	202	156	77.2%	182	256	71.1%
Inspire Academy	6	6	100.0%	7	16	43.8%
Mays Community Academy	13	11	84.6%	12	14	85.7%
Renaissance Academy Charter School	19	17	89.5%	21	24	87.5%
Rock Creek Community Academy	40	39	97.5%	40	46	87.0%
Rural Community Schools Inc	10	8	80.0%	8	10	80.0%
Indiana Statewide	Not available	Not available	Not available	59,104	73,221	80.7%

GRADUATION RATES

BSU Authorized Charter Schools 2021-22

2021-22 GRADUATION RATES

State law (IC 20-26-13) indicates that the graduation rate is the percentage of students within a cohort who graduate during their expected graduation year. The expected graduation year is defined as three years after a student is first considered to have entered grade 9.

The non-waiver rate excludes those graduates who received a diploma with a waiver and have not met the basic expectation that all students pass the state's ECA Graduation Examinations before exiting high school with a diploma. Students can receive graduation waivers in three ways: 1) by successfully completing Core 40 coursework, 2) by demonstrating to the satisfaction of the high school that they have met the achievement standard measured by the Graduation Examination through other means, or 3) by completing an internship and a workforce readiness assessment.

School Name	In Cohort N	Total Graduate N	Total Graduation Rate	Non-Waiver Graduate N	Non-Waiver Graduation Rate	Waiver Graduate N	Waiver Graduation Rate
21st Century Charter School at Gary	91	86	94.51%	76	83.52%	10	10.98%
Anderson Preparatory Academy	47	37	78.72%	34	72.34%	3	6.38%
Community Montessori	40	39	97.50%	38	95.00%	1	2.56%
Gary Lighthouse Charter School	113	90	79.65%	90	79.65%	0	n/a
Hoosier College and Career Academy	300	126	42.00%	85	28.33%	41	13.67%
Indiana Connections Academy	989	662	66.94%	319	32.25%	343	34.68%
Indiana Connections Career Academy	189	143	75.66%	56	29.63%	87	46.03%
Neighbors' New Vistas High School	72	36	50.00%	36	50.00%	0	n/a
Options Indiana	130	26	20.00%	26	20.00%	0	n/a
Options Noblesville	50	30	60.00%	30	60.00%	0	n/a
Options Westfield	63	27	42.86%	27	42.86%	0	n/a
Rock Creek Community Academy	32	31	96.88%	31	96.88%	0	n/a
Indiana Statewide	79,768	68,990	86.49%	68,082	80.58%	908	16.93%

* Suppressed due to small population.

The Indiana General Assembly made completion of Core 40 a graduation requirement for all students beginning with those who entered high school in the fall of 2007. The legislation includes an opt-out provision for parents who determine their students could receive a greater benefit from the General Diploma. The legislation also made Core 40 a minimum college admission requirement for the state's public four-year universities beginning in the fall of 2011.

School Name	2021-22 Diploma Quality**								2021-22 Drop Out Data**
	Core %	Core #	Honors %	Honors #	General %	General #	CTE %	CTE #	Out #
21st Century Charter School at Gary	98.8%	85	27.9%	24	1.2%	1	24.4%	21	5
Anderson Preparatory Academy	91.9%	34	21.6%	8	8.1%	3	2.7%	1	7
Community Montessori	100.0%	39	56.4%	22	0%	0	10.3%	4	1
Gary Lighthouse Charter School	100.0%	90	26.7%	24	0%	0	n/a	n/a	17
Hoosier College and Career Academy	100.0%	121	0%	0	0%	0	n/a	n/a	132
Indiana Connections Academy*	68.4%	453	10.6%	70	31.6%	209	0.2%	1	236
Indiana Connections Career Academy	83.9%	120	8.4%	12	16.1%	23	1.4%	2	33
Neighbors' New Vistas High School	97.2%	35	0%	0	2.8%	1	n/a	n/a	15
Options Indiana	76.9%	20	7.7%	2	23.1%	6	n/a	n/a	40
Options-Noblesville	66.7%	18	11.1%	3	33.3%	10	n/a	n/a	9
Options-Westfield	100%	27	0%	0	39.4%	7	3.6%	1	10
Rock Creek Community Academy	100%	31	32.3%	10	0.0%	0	n/a	n/a	1

* Suppressed due to small population.

2021-22 MINORITY STUDENTS, FREE AND REDUCED LUNCH AND SPECIAL ED SERVICES

School Name	% of Minority Students	Received Free/Reduced Lunch	% Received Free/Reduced Lunch	% Identified for Special Ed Svcs
21st Century Charter School at Gary	99.85%	1017	76.07%	13.9%
Anderson Preparatory Academy	51.16%	459	53.13%	24.2%
Aspire Charter Academy	99.55%	651	97.75%	16.0%
The Bloomington Project School	21.52%	99	30.00%	23.3%
Canaan Community Academy	6.01%	172	93.99%	35.7%
Community Montessori	15.02%	102	20.16%	25.2%
Discovery Charter School	34.27%	186	32.69%	15.2%
East Chicago Lighthouse Charter School	99.58%	473	100.00%	14.3%
East Chicago Urban Enterprise Academy	99.53%	320	75.65%	10.5%
Gary Lighthouse Charter School	99.73%	1126	99.91%	14.5%
Geist Montessori Academy	33.48%	23	9.87%	17.3%
HIM by HER Collegiate School for the Arts	99.11%	223	99.55%	11.2%
Hoosier College and Career Academy	33.65%	301	40.68%	20.6%
Indiana Connections Academy	25.76%	2436	42.12%	20.5%
Indiana Connections Career Academy	27.79%	287	38.52%	16.3%
Inspire Academy	51.14%	176	100.00%	30.3%
Mays Community Academy	5.83%	67	55.83%	40.8%
Neighbors' New Vistas High School	45.95%	92	62.16%	15.9%
Options Indiana	26.15%	127	13.61%	22.0%
Options Noblesville				47.8%
Options Westfield				38.2%
Renaissance Academy Charter School	26.42%	28	11.38%	12.0%
Rock Creek Community Academy	27.53%	253	38.28%	26.1%
Rural Community Academy	3.53%	85	100.00%	37.0%

2021-22 School Renewals

During the 2021-22 school year, ten school charter agreements were scheduled for renewal. All ten requested renewal. Community Montessori and Renaissance Academy, received 7-year charter renewals. 21st Century Charter School at Gary, Canaan Community Academy, Gary Lighthouse Charter School, Geist Montessori, and Hoosier College and Career Academy (formerly Insight School of Indiana) received 5-year charter renewals. Neighbor's New Vistas High School, received a 3-year charter renewal. Inspire Academy, received a two-year extension of its charter agreement. Rural Community Academy, received a one-year extensions of its charter agreement.

The Executive Director of the Office of Charter Schools issues notice of the University's intent to renew or non-renew the Charter by March 1 of the last academic year before expiration of the then current term of the Charter. The Organizer may appeal the decision of the Executive Director not to renew the Organizer's charter. In such an event, following receipt and review of the Hearing Panel's recommendation, the President of the University shall issue final notice of the University's intent to renew or non-renew the Charter.

2021-22 Charter Proposals

On November 11, 2021, the Ball State University Charter School Review Committee unanimously approved the Springville Community and Rural Foundation (SCARF) charter proposal for establishment of a charter school to open in the Fall of 2022 at 126 Brick Street, Springville, Indiana, to serve to grades K-6 with a maximum enrollment of 274. On June 16, 2022, SCARF submitted an Acknowledgement of Withdrawal of Charter and Release terminating the organizer-sponsor relationship between SCARF and Ball State University.

On May 4, 2022, the Ball State University Charter School Review Committee unanimously approved The Premier Arts Foundation charter proposal for establishment of a charter school to open in the Fall of 2023 at 1120 N. Main St. in Elkhart, Indiana, and is authorized to serve to grades K-8 with a maximum enrollment of 500.

Financial Audits for Each Charter School*

1. 21st Century Charter School at Gary
2. Anderson Preparatory Academy
3. Aspire Charter Academy
4. The Bloomington Project School
5. Canaan Community Academy
6. Community Montessori, Inc.
7. Discovery Charter School
8. East Chicago Urban Enterprise Academy
9. Geist Montessori Academy
10. HIM by HER Collegiate School for the Arts
11. Hoosier College and Career Academy
12. Indiana Online Learning Options, Inc. (for Indiana Connections Academy and Indiana Connections Career Academy)
13. Inspire Academy
14. Lighthouse Academies of Northwest Indiana (for East Chicago Lighthouse Charter School and Gary Lighthouse Charter School)
15. Mays Community Academy
16. Neighbors' New Vistas High School
17. Options Charter Schools (does not provide separate schedules of financial position by school)
18. Renaissance Academy Charter School
19. Rock Creek Community Academy
20. Rural Community Academy

* See Attached Appendix for copies of audit reports for each charter school for the year ended June 30, 2022.

ACADEMIC, FINANCIAL AND ORGANIZATIONAL PERFORMANCE FRAMEWORKS

OCS has developed and adopted national principles and standards for quality charter school authorizing in accordance with IC 20-24-2.2-1.5. These standards are reflected in the Academic, Financial and Organizational Performance Frameworks, which are the basis for school evaluation and are incorporated into the charter contract.

The Academic Performance Framework measures:

Student Progress Over Time

- Growth
- Growth of Lowest-Performing Students
- Indiana Department of Education Median Growth Student Growth Percentile

Student Achievement

- Proficiency Status
- Proficiency Comparison: Home District
- Proficiency Comparison: Similar Schools
- Proficiency Comparison: Subgroup Proficiency
- ILEARN - passing math
- ILEARN - passing ELA
- ILEARN - passing both
- Indiana Department of Education Ranking of Schools taking ILEARN within the State, County and Local Districts
- Schools serving 3rd Grade - Percent passing the State I-READ Test
- Indiana Department of Education Median Growth Student Growth Percentile

State, Federal and Ball State Accountability

- State Accountability System
- A-F State Accountability System
- Results under Practices Policies and Procedures for the Monitoring and Renewal of Charter Schools Authorized by Ball State University
- Charter Proposal

Post-Secondary Readiness

- SAT/ACT Performance and Participation 2.4.a.1 and 2.4.a.2
- High School Graduation 2.4.b
- Post-Secondary College Enrollment/Employment 2.4.c and 2.4.d

ACADEMIC, FINANCIAL AND ORGANIZATIONAL PERFORMANCE FRAMEWORKS

The Financial Performance Framework measures:

Near Term Indicators

- Current Ratio
- Cash to Current Liabilities
- Unrestricted Days Cash On Hand
- Enrollment Variance
- Default on Loans

Sustainability Indicators

- Total Margin
- Debt to Asset Ratio
- Cash Flow
- Debt Service Coverage Ratio

ACADEMIC, FINANCIAL AND ORGANIZATIONAL PERFORMANCE FRAMEWORKS

The Organizational Performance Framework measures:

Education Program

- Essential Terms of Charter
- Education Requirements
- Special Needs Populations (SPED, ELL)

Financial Management and Oversight

- Reporting and Compliance
- Generally Accepted Accounting Principles

Governance and Reporting

- Governance Requirements
- Management Oversight
- Reporting Requirements

Additional Legal Obligations

- Students and Employees
 - Student Rights
 - Attendance
 - Credentialing
 - Employee Rights
 - Background Checks
- School Environment
 - Facilities and Transportation
 - Health and Safety
 - Information Handling
- Additional Obligations

2021-22 ADMINISTRATIVE FEES RECEIVED

Ball State University receives an administrative fee of three percent (3%)* of the total amount the organizer receives during the state fiscal year from basic tuition support (as defined in IC 20-43-1-8) as permitted pursuant to IC 20-24-7-3. The chart below reflects the amounts of those fees collected from each of its charter schools during the 2021-22 fiscal year.

21st Century Charter School at Gary	\$313,644.60
Anderson Preparatory Academy	\$167,592.16
Aspire Charter Academy	\$158,352.25
The Bloomington Project School*	\$41,532.08
Canaan Community Academy	\$26,764.55
Community Montessori	\$95,188.55
Discovery Charter School*	\$65,643.66
East Chicago Lighthouse Charter School	\$84,460.96
East Chicago Urban Enterprise Academy	\$68,747.59
Gary Lighthouse Charter School	\$213,246.80
Geist Montessori Academy	\$40,458.72
HIM by HER Collegiate School for the Arts	\$0.00
Indiana Connections Academy	\$108,961.17
Indiana Connections Career Academy	\$1,082,795.86
Insight School of Indiana	\$107,054.71
Inspire Academy	\$37,218.51
Mays Community Academy	\$32,978.83
Neighbors' New Vistas High School	\$34,542.71
Options Charter Schools	\$155,674.26
Renaissance Academy Charter School	\$51,191.02
Rock Creek Community Academy*	\$79,913.08
Rural Community Academy	\$26,558.43
Total 2021-2022 Administrative Fees	\$2,992,520.50

* Ball State University receives an administrative fee of two percent (2%) of the total amount the organizer receives during the state fiscal year from basic tuition support from those charter schools, which receive a 7-year charter agreement. Ball State University only recommends a 7-year charter for schools with a demonstrated history of high academic performance, as well as sound fiscal and governance practices. These schools require less frequent intervention and monitoring on the part of the OCS staff. As such, these schools are rewarded with a reduced fee, which both recognizes their performance and acknowledges the investment of OCS time and resources is less intensive to monitor these schools.

2021-22 EXPENDITURES

The Office of Charter Schools (OCS) has a staff of seven full-time employees, one part-time employee and one graduate assistant. In addition, the OCS contracts with external experts who are not employees of the University. The university provides office space, access to university counsel, media consultation and other university resources and personnel. In addition, it provides the following benefits to all of its schools:

- Board Training for all its schools
- Annual Fiscal Audits
- Third-Party External School Quality Reviews
- Application Review
- Charter School Closure Procedures
- A web-based file/data handling system
- Staff support with expertise in the area of education, finance, special education, school startup and governance

The chart below reflects the amounts of those expenditures during the 2021-22 fiscal year:

Expenditure	Amount
Salaries (7 full-time)	\$602,299.37
Benefits	\$176,471.37
Advertising	\$681.59
Airfare	\$417.20
Association Dues	\$2,500.00
Computer Purchase/Rental/Repair/Maintenance	\$3,672.00
Conference/Facilities Rentals and Meals	\$0
Consultants	\$299,930.19
Employee Per Diem Expense	\$1,519.00
In State Lodging Expense	\$4,826.72
Legal Fees	\$0
Meals & Lodging	\$314.88
Mileage Personal Vehicle	\$6,373.85
Minor Computer Equipment	\$0
Miscellaneous Expenses	\$610.32
Office Supplies	\$1,203.76
Out of State Lodging Expense	\$211.2
Postage/FedEx/UPS	\$756.28
Print and Dup off Campus	\$369.33
Registration Fees	1,299.00
Scholarships	\$45,255.00
Subscriptions and Publications	\$1,305.00
Telephone/Cellphone/Network Charges	\$1,821.80
Overhead and Support Services	\$896,505.00
Total 2021-22 Expenses	\$2,048,342.86

ACKNOWLEDGEMENTS

BSU Office of Charter Schools

Ball State University Office of Charter Schools acknowledges the following organizations for their contribution in improving authorizing practices at the Office of Charter Schools.

National Association of Charter School Authorizers (NACSA)

National Alliance for Public Charter Schools

Indiana Department of Education (IDOE)

21st Century Charter School at Gary

21st CENTURY CHARTER SCHOOL @ GARY, INC.

FINANCIAL STATEMENTS

June 30, 2022 and 2021

FINANCIAL STATEMENTS
June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
21st Century Charter School @ Gary, Inc.
Gary, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 21st Century Charter School @ Gary, Inc. (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the school as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the consolidated 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
January 31, 2023

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 1,458,624	\$ 1,621,622
Restricted cash	1,583,889	1,573,896
Grants and accounts receivable	824,782	171,191
Prepaid expenses	249,517	133,890
Due from related parties (Note 5)	152,950	74,973
Right of use asset (Note 3)	701,000	1,078,000
Property and equipment, net (Note 2)	<u>14,863,579</u>	<u>11,642,587</u>
Total assets	<u>\$ 10,924,241</u>	<u>\$ 16,206,150</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 1,681,682	\$ 992,348
Due to related parties (Note 5)	1,086,745	65,208
Lease liability (Note 3)	701,000	1,078,000
Financing lease liability	162,198	236,120
Bonds and notes payable, net (Note 4)	<u>11,797,626</u>	<u>12,123,622</u>
Total liabilities	15,429,251	14,495,298
NET ASSETS		
Without donor restrictions	<u>4,405,090</u>	<u>1,800,861</u>
Total liabilities and net assets	<u>\$ 10,924,241</u>	<u>\$ 16,206,150</u>

See accompanying notes to financial statements.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF ACTIVITIES
Years ended June 30, 2022 and 2021

	2022	2021
Public support and revenues		
Federal grants	\$ 11,799,053	\$ 3,415,779
State and local grants	12,787,872	11,739,326
Supporting services	393,240	38,233
Loss on disposal of equipment	<u>(51,951)</u>	<u>(22,159)</u>
Total revenue and support	<u>25,130,222</u>	<u>15,171,245</u>
Expenses		
Education services	21,571,504	13,050,994
Management and general	<u>954,489</u>	<u>896,140</u>
Total expenses	<u>22,525,993</u>	<u>13,947,134</u>
Change in net assets	2,604,229	1,224,111
Net assets without donor restrictions, beginning of year	<u>1,800,861</u>	<u>576,750</u>
Net assets without donor restrictions, end of year	<u>\$ 4,405,090</u>	<u>\$ 1,800,861</u>

See accompanying notes to financial statements.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 2,604,229	\$ 1,224,111
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	1,288,394	735,593
Right of use amortization expense – financing	57,093	57,091
Right of use amortization expense – operating	377,000	370,000
Loss on disposal of property and equipment	51,951	22,159
PPP loan forgiveness	-	(188,682)
Change in assets and liabilities:		
Grants and accounts receivable	(653,591)	(27,425)
Prepaid expenses	(115,627)	(36,869)
Due to/from related parties	943,560	62,608
Lease liability	(377,000)	(370,000)
Accounts payable and accrued other expenses	689,334	74,121
Net cash from operating activities	<u>4,865,343</u>	<u>1,922,707</u>
Cash flows from investing activities		
Purchases of property and equipment	(4,579,426)	(1,682,719)
Net cash from investing activities	<u>(4,579,426)</u>	<u>(1,682,719)</u>
Cash flows from financing activities		
Payment on financing lease liability	(73,922)	(73,327)
Principal payments on bonds and notes payable	(365,000)	(350,000)
Net cash from financing activities	<u>(438,922)</u>	<u>(423,327)</u>
Net change in cash and cash equivalents	(153,005)	(183,338)
Cash and cash equivalents, beginning of year	<u>3,195,518</u>	<u>3,378,856</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,042,513</u></u>	<u><u>\$ 3,195,518</u></u>
Reconciliation of cash to the Statements of Financial Position:		
Cash and cash equivalents	\$ 1,458,624	\$ 1,621,622
Restricted cash	<u>1,583,889</u>	<u>1,573,896</u>
Total cash and cash equivalents	<u><u>\$ 3,042,513</u></u>	<u><u>\$ 3,195,518</u></u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 1,402,715	\$ 747,576

See accompanying notes to financial statements.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization: 21st Century Charter School @ Gary, Inc. (the School) is a nonprofit corporation established to operate a charter school. The School is dedicated to ensure that all students show growth in character, academics, life skills, the arts, and wellness using teaching skills tailored to meet the needs of each student.

The School was established under the laws of the State of Indiana and operates under a Board of School Directors form of government.

Method of Accounting: The School maintains its accounts on the accrual basis of accounting and prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Income Taxes: The School is exempt from income taxes on income from related activities under Section 501(c)(3) of the U. S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the School is not considered to be a private foundation under Section 509(a) of the Internal Revenue Code.

The School has adopted applicable guidance with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit will be recorded.

The School does not expect the total amount of unrecorded tax benefits to significantly change in the next 12 months. The School recognizes interest and/or penalties related to income tax matters in income tax expense. The School did not have any amounts accrued for interest and penalties at June 30, 2022 and 2021.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents: Cash and cash equivalents consists of bank deposits in accounts that are federally insured up to \$250,000. Bank balances may periodically exceed FDIC insured limits. For the purpose of the statement of cash flows, the School considers all highly liquid debt instruments, if any, purchased with a maturity of three months or less to be cash equivalent.

Restricted Cash: Restricted cash consists of funds held in trust accounts for capital expenditures and debt service reserves.

Grants Receivable: Grants receivable balances consist of amounts billed or billable for services provided or contracted. The School does not accrue interest on any of its grants receivables.

Allowances: Allowances are based upon prior experience and management's analysis of specific receivables and promises to give. Losses are charged off to the reserve when management deems further collection efforts will no longer produce additional recoveries. The School currently considers all receivables to be fully collectible. The School had no allowance for doubtful accounts recorded as of June 30, 2022 and 2021.

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment: Expenditures for property and equipment and items in excess of \$500 which substantially increase the useful lives of existing assets are capitalized at cost or at fair value at date of gift. Repairs and maintenance costs are expensed as incurred. Depreciation has been computed on straight-line method at rates designed to depreciate the costs of assets over their estimated useful lives as follows.

Buildings and improvements	39 years
Property and equipment	5-7 years

Impairment of Long-Lived Assets: In accordance with GAAP, the School reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. As of June 30, 2022 and 2021, management believes that no impairment exists.

Fair Value of Financial Instruments: Cash and cash equivalents and accounts payable approximate fair value because of the short maturity of these instruments. Grants receivable are not readily marketable. The School has estimated their fair value to be the carrying value. The carrying value of all the School's financial instruments, approximate fair value, except for bonus and notes payable.

Basis of Presentation: The School follows GAAP and reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – The net asset without donor restrictions class includes general assets and liabilities of the School. The net assets without donor restrictions of the School may be used at the discretion of management to support the School's purposes and operations.

Net Assets With Donor Restrictions – The net asset with donor restrictions class includes assets of the School related to gifts and grants with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. The net asset with donor restrictions class also includes assets of the School related to contributions and other inflows of assets whose use by the School is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the School. The School had no net assets with donor restrictions as of June 30, 2022 and 2021.

Federal and State Grants: Support funded by grants is recognized as the School satisfies the related conditions under various grant agreements. Grant revenue is typically recognized as allowable expenses are incurred or as eligible students are served. The School's basic grant support from the State is based on per-pupil funding. Government grants and contracts are generally subject to conditions that have a barrier and a right of return that must be met before the School is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Supporting Services: Revenue for services (such as employee time) provided to charter schools managed by Greater Education Opportunities Foundation, Inc., (GEOF). Reimbursement is requested for services provided to offset the corresponding expense. Revenue is recognized as services are performed and performance obligations are achieved.

Advertising: The School expenses advertising costs as incurred. During 2022 and 2021, expenses totaling \$195,457 and \$74,988 were incurred for advertising.

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional and Allocated Expenses: Expenses have been classified as program services and supporting services based on the actual direct expenditures and estimated cost allocations. Salaries and related expenses are charged based upon time estimates of personnel. Supporting services include management and general activities of the School. The School did not incur any fundraising expenses for the years ended June 30, 2022 and 2021.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2022, to determine the need for any adjustments or disclosures to the financial statements for the year ended June 30, 2022. Management has performed their analysis through January 31, 2023, the date the financial statements were issued.

NOTE 2 - PROPERTY AND EQUIPMENT

At June 30, the carrying value of land, buildings and building improvements, and equipment, consists of the following.

	<u>2022</u>	<u>2021</u>
Land	\$ 333,500	\$ 333,500
Building and building improvements	11,894,576	11,656,674
Equipment	<u>8,215,985</u>	<u>3,959,292</u>
	20,407,061	15,912,466
Less: accumulated depreciation	<u>(5,543,482)</u>	<u>(4,269,879)</u>
	<u>\$ 14,863,579</u>	<u>\$ 11,642,587</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$1,249,390 and \$695,022, respectively.

NOTE 3 - LEASES

Right of use ("ROU") assets represent the School's right to use the underlying assets for the lease term and lease liabilities represent the net present value of the School's obligation to make payments arising from these leases. The lease liabilities are based on the present value of fixed lease payments over the lease term using the School's incremental borrowing rate on the lease commencement date. If the lease includes one or more options to extend the term of the lease, the present value is extended to the lease term if it is reasonably certain the School will exercise the options. Operating lease expense is recognized on a straight-line basis over the term of the lease. As permitted by ASC 842, leases with an initial term of twelve months or less ("short-term leases") are not recorded on the accompanying statement of financial position.

The School leases modular space, vehicles, and a postage meter under various non-cancelable operating leases which expire at various dates through fiscal year 2026.

In July 2019, the School and GEOFF entered into a building lease agreement for a second facility to expand operations for the 2020-2021 school year. The agreement requires monthly rent payments of \$30,000 maturing on June 30, 2023. Rent expense for the years ended June 30, 2022 and 2021 was \$360,000, annually.

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 3 - LEASES (Continued)

The School has recognized a right of use asset of \$902,483 and \$1,336,576, respectively, and a lease liability of \$701,000 and \$1,314,120, respectively, on the statements of financial position as of June 30, 2022, and 2021. The School utilized the 5-year Treasury rate to determine the net present value of the lease liability which approximated 1.75% at lease inception.

In accordance with GAAP, the School recognizes rent expense on a straight-line basis. The future maturities lease payments under operating leases are as follows:

2023	\$ 395,603
2024	<u>360,000</u>
Total minimum lease payments	\$ 755,603
Present value discount	<u>(54,603)</u>
Lease liability	<u>\$ 701,000</u>

Operating lease expense for the year ended June 30, 2022 and 2021 was approximately \$402,448 and \$396,984, respectively.

NOTE 4 - BONDS AND NOTES PAYABLE

Bonds and notes payable consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Series 2013A bonds payable, maturing in March 2033, including interest computed at 6%, secured by Real Estate Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, and Trust Accounts and interest in the Project, as defined in the Loan Agreement dated February 1, 2013. Principal payments began on February 28, 2018.	\$ 4,350,000	\$ 4,625,000
Series 2013A bonds payable, maturing in March 2043, including interest computed at 6.25%, secured by Real Estate Mortgage, Security Agreement, Assignment of Leases and Rents and Fixture Filing, and Trust Accounts and interest in the Project, as defined in the Loan Agreement dated February 1, 2013. Principal payments begin on February 28, 2034.	7,355,000	7,355,000
Note payable to State of Indiana Treasurer to support charter school operations, payable in semi-annual installments of \$45,000, plus interest computed at 1.00%, through maturity in July 2020.	<u>400,000</u>	<u>400,000</u>
	12,110,000	12,475,000
Bond issuance cost, net of accumulated amortization	<u>(312,374)</u>	<u>(351,378)</u>
Total bonds and notes payable, net	<u>\$ 11,797,626</u>	<u>\$ 12,123,622</u>

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 4 - BONDS AND NOTES PAYABLE (Continued)

The estimated future principal payments due on long term debt are:

2023	\$ 380,000
2024	400,000
2025	415,000
2026	435,000
-----	-----
Thereafter	<u>10,070,000</u>
	\$ 12,110,000

Total interest expense during the years ended June 30, 2022 and 2021 were \$1,487,665 and \$1,527,392, respectively. The School has financial and nonfinancial covenants associated with the bond obligations. At June 30, 2022 and 2021, the School was not in compliance with a covenant. The bondholder has provided a waiver of covenant violation agreement.

The School has a management agreement with the Greater Educational Opportunities Foundation (GEOF). Under the management agreement, GEOF charges administrative and per student fees in exchange for the management, operation, administration, IT support, payroll and accounting services provided. During the years ended June 30, 2022 and 2021, the School paid GEOF administrative fees of \$826,762 and \$804,943, respectively. As part of the management services provided, GEOF acts as the payor of certain operating expenses including a self-funded insurance plan for employee medical and prescription drug insurance managed by GEOF. GEOF is reimbursed by the School. During the years ended June 30, 2022 and 2021, the School paid GEOF reimbursements of \$715,814 and \$549,921, respectively, for self- for financial and budgetary commitments. At June 30, 2022 and 2021, the School has a payable to GEOF for \$1,086,745 and \$65,208, respectively, for various transactions and a receivable from GEOF in the amount of \$152,950 and \$74,973, respectively, for overpayment of administrative fees.

NOTE 6 - CHARTER AGREEMENT

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay Ball State University an annual administrative fee equal to 3% of State tuition support, along with other licensing fees. Payments under this charter agreement were \$313,645 and \$295,636 for the years ended

In June 2021, Ball State University, the School's charter authorizer, placed the School on probation in relation to certain governance conditions of the charter. The School's Board is working closely with Ball State University to address these concerns. The authorizer was changed to Indiana Charter School Board (ICSB) effective July 1, 2022.

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 7 - PENSION PLANS

The School's faculty and certain administrative employees are participants in a 403(b) tax deferred annuity retirement plan. All participants may contribute to the plan. There were no employer matching contributions to the plan for the years ended June 30, 2022 and 2021.

The School participates in the Indiana Public Retirement System (INPRS). INPRS includes both the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF). PERF is a defined benefit pension plan. PERF is a cost sharing multi-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. TRF is a defined benefit pension plan. TRF is a cost-sharing multi-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. The contribution requirements of the plan members for TRF are established by the Board of Trustees of INPRS. The School is required to contribute an actuarially determined rate determined annually for PERF and TRF. The School's expense for the years ended June 30, 2022 and 2021 was \$648,007 and \$397,035, respectively.

NOTE 8 - FUNCTIONAL EXPENSES BY NATURE

The statements of activities report certain categories of expenses attributable to the program and supporting functions of the School. Functions include program expense for education services and management and general activities. The table below presents these functional expenses by their natural classification for the years ended June 30, 2022 and 2021, respectively.

	2022		
	Education	Management and	
	<u>Services</u>	<u>General</u>	<u>Total</u>
Salaries and benefits	\$ 10,858,535	\$ -	\$ 10,858,535
Office and operation expense	1,529,864	-	1,529,864
Depreciation and amortization	1,345,487	-	1,345,487
Building and grounds	3,259,621	-	3,259,621
Service contracts	<u>2,258,094</u>	<u>954,489</u>	<u>3,212,583</u>
Total expenses	<u>\$ 21,571,504</u>	<u>\$ 954,489</u>	<u>\$ 22,525,993</u>

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 8 - FUNCTIONAL EXPENSES BY NATURE (Continued)

	2021		
	Education	Management and	
	<u>Services</u>	<u>General</u>	<u>Total</u>
Salaries and benefits	\$ 7,245,706	\$ -	\$ 7,245,706
Student support and supplies	1,770,700	-	1,770,700
Office and operation expense	946,269	-	946,269
Depreciation and amortization	792,684	-	792,684
Building and grounds	1,607,800	-	1,607,800
Service contracts	<u>573,964</u>	<u>896,140</u>	<u>1,470,104</u>
Total expenses	\$ <u>13,050,944</u>	\$ <u>896,140</u>	\$ <u>13,947,134</u>

NOTE 9 - LIQUIDITY AND AVAILABILITY

The School's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,458,624	\$ 1,621,622
Restricted cash	1,583,889	1,573,896
Grants and accounts receivable	824,782	171,191
Due from related parties	<u>154,930</u>	<u>14,913</u>
	4,020,245	3,441,682
Less amount not available to be used within one year:		
Restricted cash	<u>1,583,889</u>	<u>1,573,896</u>
Financial assets available to meet general expenditures		
Within one year	\$ 2,436,356	\$ 1,867,786

As noted in Note 1, restricted cash consists of funds held in trust accounts for capital expenditures and debt service reserves. As a result, this restricted cash is not available for general expenditures and must be removed from the available assets within one year amount disclosed above. As part of the School's liquidity management, the School invests its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(Continued)

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

NOTE 10 - COVID-19 IMPACT

During 2020, the School was awarded an allocation of Elementary and Secondary School Emergency Relief Funding through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) totaling \$1,047,055, and fully spent and recognized the corresponding grant revenue during the period.

During 2021, the School was awarded an allocation of the Education Stabilization Relief Fund through the Elementary and Secondary School Emergency Relief Funding (ESSER II) through the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act totaling \$4,141,759. As of June 30, 2022 and 2021, the School expended \$2,044,510 and \$222,507 of funding, respectively, which is being recognized within the federal grant revenue line of the statement of activities. As of June 30, 2022, the School had yet to receive \$389,367 and has recorded a corresponding grants receivable. The remaining \$1,706,882 of the awarded is expected to be expended and recognized during future fiscal years.

During 2021, the School was awarded an allocation of the Education Stabilization Relief Fund through the Elementary and Secondary School Emergency Relief Funding (ESSER III) through American Rescue Plan (ARP) Act totaling \$9,301,802. As of June 30, 2022 and 2021, the School expended \$5,411,164 and \$34,918 of funding, respectively, which is being recognized within the federal grant revenue line of the statement of activities. As of June 30, 2022, the School had yet to receive \$138,450 and has recorded a corresponding grants receivable. The remaining \$3,650,720 of the awarded is expected to be expended and recognized during future fiscal years.

During 2021, the School was awarded an allocation of the Education Stabilization Relief Fund through the Governor's Emergency Education Relief funding totaling \$175,800. As of June 30, 2022, the School expended \$134,688 of funding, which is being recognized within the federal grant revenue line of the statement of activities. The remaining \$41,112 of the awarded is expected to be expended and recognized during future fiscal years.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass Through Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through the Indiana Department of Education National School Lunch Program	10.555	9545	\$ 939,522
Total Child Nutrition Cluster			<u>1,272,222</u>
<u>U.S. Department of Education</u>			
Passed through the Indiana Department of Education Title I, Part A			
Title I Grants to Local Educational Agencies	84.010	S010A200014	148,220
Total for Title I Grants to Local Educational Agencies			<u>1,187,696</u>
Special Education Grants to States	84.027A	18611-532-PN01	4,681
Special Education Grants to States	84.027A	20611-532-PN01	3,099
Special Education Grants to States	84.027A	21611-532-PN01	1,453
Special Education Grants to States	84.027A	22611-532-PN01	<u>39,540</u>
Total Special Education cluster			<u>48,773</u>
Charter School Programs	84.202A	0202A210011	<u>500,000</u>
COVID-19 – Education Stabilization Fund			
Elementary and Secondary School Emergency Relief (ESSER I and II) Fund	84.425D	S425D20013	2,844,510
American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	S425U210013	<u>5,411,164</u>
Total Education Stabilization Fund			<u>8,390,362</u>
Total expenditures of federal awards			<u>\$ 11,799,000</u>

See accompanying note to the Schedule of Expenditures of Federal Awards.

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, ~~changes in net assets, or cash flows of the School.~~

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
21st Century Charter School @ Gary, Inc.
Gary, Indiana

We have audited, 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, the financial statements of 21st Century Charter School @ Gary, Inc. (the School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 financial statements. 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*

Purpose of this Report

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

Crowe LLP

Crowe LLP

Indianapolis, Indiana
January 31, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
21st Century Charter School @ Gary, Inc.
Gary, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 21st Century Charter School @ Gary, Inc. (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Principles and Procedures for Federal Awards (200 CFR 200, *Uniform Guidance*). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS,

when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate our findings and conclusions regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
January 31, 2023

21ST CENTURY CHARTER SCHOOL @ GARY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of report the audit issued on whether the
financial statements audited were prepared
in accordance with GAAP:

Unmodified

Material weakness(es) identified?

_____ Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

Yes X No

Significant deficiencies identified not
considered to be material weaknesses?

_____ Yes X None Reported

Type of auditor's report issued on compliance for
major programs:

Unmodified

Reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Numbers

10.553 & 10.555

84.282

04.420

Name of Federal Program or Cluster

Child Nutrition Cluster

Charter School Program

COVID-19 - Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

INDIANA STATE BOARD OF ACCOUNTS
COMPLIANCE REPORT OF
21st CENTURY CHARTER SCHOOL AT GARY, INC.

GARY, INDIANA
July 1, 2021 to June 30, 2022

21st CENTURY CHATER SCHOOL AT GARY, INC.

GARY, INDIANA
July 1, 2021 to June 30, 2022

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21st CENTURY CHARTER SCHOOL AT GARY, INC.
SCHOOL OFFICIALS

Office	Official	Term
Lead Principal	Nicole McIntosh	July 1, 2021 to June 30, 2022
Treasurer	Dana Teasley	July 1, 2021 to June 30, 2022
President of the Charter Board	Arlene Colvin	July 1, 2021 to June 30, 2022

21st CENTURY CHARTER SCHOOL AT GARY, INC.
AUDIT RESULTS AND COMMENTS
July 1, 2021 to June 30, 2022

FINDING 2022-001: CONFLICT OF INTEREST STATEMENTS

Criteria: Part 13 of the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools notes that conflict of interest statements should be filed and provided to State Board of Accounts.

Condition: During our review of conflict of interest statements, we noted multiple board members did not complete the conflict of interest form for the year under review.

Recommendation: We recommend all board members complete their conflict of interest statements in a timely manner.

Management Response: Management agrees with finding. Management communicates the requirement to board members frequently and will continue to work with all board members to ensure conflict of interest forms are completed in a timely manner.

FINDING 2022-002: 100R Report Submission

Criteria: Per Indiana Code 5-11-13-1(a) and as noted within the Indiana Charter School Manual every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts . . . The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7

Condition: During our review of the 100R report, we noted that the 2021 report was submitted on September 15, 2022 which is outside the required submission date of January 31, 2022.

Recommendation: We recommend the 100R report be submitted in a timely manner and by the January of the subsequent year.

Management Response: Management agrees with finding. Management will continue to communicate the requirements to the human resource team and work to ensure the 100R report is completed in a timely manner

Anderson Preparatory Academy

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



CPAs | CONSULTANTS | WEALTH ADVISORS

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**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Indiana Military Academy, Inc.
dba: Anderson Preparatory Academy
Anderson, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Central Indiana Military Academy, Inc. dba: Anderson Preparatory Academy (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

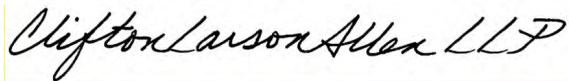
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and is 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style. Below the signature is a thin yellow horizontal line.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 448,098	\$ 1,673,729
Grants Receivable	1,049,171	144,260
Prepaid Expenses	154,970	156,629
Total Current Assets	<u>1,652,239</u>	<u>1,974,618</u>
PROPERTY AND EQUIPMENT		
Land	320,000	320,000
Buildings and Improvements	4,418,657	3,524,928
Furniture and Equipment	2,746,344	2,629,524
Textbooks	183,957	143,962
Vehicles	20,633	82,275
Less: Accumulated Depreciation	(4,124,334)	(3,812,738)
Property and Equipment, Net	<u>3,626,898</u>	<u>2,887,951</u>
Total Assets	<u><u>\$ 5,279,137</u></u>	<u><u>\$ 4,862,569</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 976,537	\$ 734,749
Current Portion of Notes Payable	207,979	227,516
Total Current Liabilities	<u>1,184,516</u>	<u>962,265</u>
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	754,638	967,600
Total Long-Term Liabilities	<u>754,638</u>	<u>967,600</u>
Total Liabilities	1,939,154	1,929,865
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Undesignated	3,079,944	2,622,922
Board Designated	260,039	309,782
Total Net Assets	<u>3,339,983</u>	<u>2,932,704</u>
Total Liabilities and Net Assets	<u><u>\$ 5,279,137</u></u>	<u><u>\$ 4,862,569</u></u>

See accompanying Notes to Financial Statements.

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 6,180,982	\$ 6,267,159
Grant Revenue	4,450,044	3,075,016
Student Fees	113,885	82,897
Contributions	28,578	21,286
Fundraising and Other Income	408,862	1,193,329
Total Revenue and Support	<u>11,182,351</u>	<u>10,639,687</u>
EXPENSES		
Program Services	9,079,043	7,813,692
Management and General	1,696,029	1,431,549
Total Expenses	<u>10,775,072</u>	<u>9,245,241</u>
CHANGE IN NET ASSETS	407,279	1,394,446
Net Assets - Beginning of Year	<u>2,932,704</u>	<u>1,538,258</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,339,983</u></u>	<u><u>\$ 2,932,704</u></u>

See accompanying Notes to Financial Statements.

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 4,400,588	\$ 904,107	\$ 5,304,695	\$ 3,854,755	\$ 704,016	\$ 4,558,771
Employee Benefits	906,278	127,007	1,033,285	812,226	123,726	935,952
Classroom, Kitchen, and Office Supplies	1,959,106	41,818	2,000,924	1,859,040	73,483	1,932,523
Professional Services	588,298	264,916	853,214	369,116	175,871	544,987
Depreciation	311,596	-	311,596	313,656	-	313,656
Occupancy	327,529	-	327,529	216,503	-	216,503
Property Rental and Maintenance	468,251	-	468,251	269,401	-	269,401
Insurance	-	130,006	130,006	-	151,667	151,667
Authorizer Oversight Fees	-	167,592	167,592	-	166,145	166,145
Interest	46,659	-	46,659	67,331	-	67,331
Staff Development	20,633	16,332	36,965	28,512	1,484	29,996
Transportation	16,937	382	17,319	211	-	211
Other	33,168	43,869	77,037	22,941	35,157	58,098
Total Functional Expenses	<u>\$ 9,079,043</u>	<u>\$ 1,696,029</u>	<u>\$ 10,775,072</u>	<u>\$ 7,813,692</u>	<u>\$ 1,431,549</u>	<u>\$ 9,245,241</u>

See accompanying Notes to Financial Statements.

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 407,279	\$ 1,394,446
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	311,596	313,656
Loss on Disposal of Property and Equipment	100,987	2,985
Gain on Extinguishment of Debt - PPP Loan	-	(982,700)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(904,911)	36,908
Prepaid Expenses	1,659	(146,289)
Accounts Payable and Accrued Expenses	241,788	3,084
Net Cash Provided by Operating Activities	<u>158,398</u>	<u>622,090</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,151,530)	(248,639)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Notes Payable	-	139,655
Principal Repayment of Notes Payable	(232,499)	(413,232)
Principal Reduction of Capital Lease Obligations	-	(3,655)
Net Cash Used by Financing Activities	<u>(232,499)</u>	<u>(277,232)</u>
NET CHANGE IN CASH	(1,225,631)	96,219
Cash - Beginning of Year	<u>1,673,729</u>	<u>1,577,510</u>
CASH - END OF YEAR	<u><u>\$ 448,098</u></u>	<u><u>\$ 1,673,729</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 46,659</u></u>	<u><u>67,331</u></u>

See accompanying Notes to Financial Statements.

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Central Indiana Military Academy, Inc. dba: Anderson Preparatory Academy (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 780 students in grades kindergarten through 12 and is sponsored by Ball State University.

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.

Board-Designated Net Assets

The board-designated net assets at both June 30, 2022 and 2021 for purposes related to various school academic and sports programs. Board-designated net assets totaled \$260,039 and \$309,782, as of June 30, 2022 and 2021, respectively.

Revenue Recognition

Revenues primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2022, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Cash

The School considers all demand accounts to be cash.

CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable and Revenue

Grants receivable and revenue relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Contributions, Grants, and Fees

The School receives income from contributions, student fees, and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Taxes on Income

Central Indiana Military Academy, Inc. has received a determination from the U.S. Internal Revenue Service 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, 2022 and 2021, 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

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 \$500 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:

Buildings and Improvements	5 to 40 Years
Furniture and Equipment	3 Years
Textbooks	4 Years
Vehicles	5 Years

CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the School's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted.

Subsequent Events

The School evaluated subsequent events through March 30, 2023, 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.

NOTE 2 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Loan payable to First Financial Bank, payable in monthly installments of \$4,460 including interest at 4.55% per annum through July 2021, secured by a mortgage of School facilities and all business assets	\$ -	\$ 4,455
Loan payable to First Financial Bank, payable in monthly installments of \$3,183 including interest at 4.20% per annum through June 2022, secured by a mortgage on School facilities and all business assets	-	28,509

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 NOTES PAYABLE (CONTINUED)

<u>Description</u>	<u>2022</u>	<u>2021</u>
Loan payable to First Financial Bank, payable in monthly installments of \$3,224 including interest at 5.625% per annum (adjustable annually each August) through March 2029, secured by a mortgage on School facilities and all business assets	\$ 221,512	\$ 249,228
Loan payable to First Financial Bank, payable in monthly installments of \$4,214 including interest at 5.625% per annum (adjustable annually each September) through July 2026, secured by a mortgage on School facilities and all business assets	188,902	230,000
Loan payable to First Financial Bank, payable in monthly installments of \$7,341 including interest at 5.75% per annum (adjustable annually each August) through August 2026, secured by a mortgage on School facilities and all business assets	331,726	402,964
Loan payable to First Financial Bank, payable in monthly installments of \$3,224 including interest at 5.75% per annum (adjustable annually each September) through August 2026, secured by a mortgage on School facilities and all business assets	167,653	203,657
Loan payable to First Financial Bank, payable in monthly installments of \$2,229 including interest at 4.90% per annum through July 2024, secured by a mortgage on School facilities and all business assets	<u>52,824</u>	<u>76,303</u>
Total	962,617	1,195,116
Less: Current Portion	<u>(207,979)</u>	<u>(227,516)</u>
Long-Term Portion	<u><u>\$ 754,638</u></u>	<u><u>\$ 967,600</u></u>

The First Financial Bank notes payable require the School to maintain a minimum debt service coverage ratio greater than 1.25-to-1.00. The School was in compliance with this covenant for the year ended June 30, 2022.

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 NOTES PAYABLE (CONTINUED)

Principal maturities of notes payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 207,979
2024	219,093
2025	200,710
2026	206,556
2027	59,085
Thereafter	69,194
Total	<u><u>\$ 962,617</u></u>

NOTE 3 PAYROLL PROTECTION PROGRAM LOAN

On April 13, 2020, the Organization received a loan from First Financial Bank in the amount of \$982,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over eighteen months, deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments will be required through the maturity date in April 2022.

This loan was forgiven in June 2021 and is included in fundraising and other income in the accompanying statement of activities for the year ended June 30, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 REVOLVING LINE OF CREDIT

On September 29, 2021, the School entered a new \$75,000 revolving line of credit with First Financial Bank to provide short-term financing, which is secured by all business assets. Bank advances on the credit line carry an interest rate of 3.250% with the possibility of interest rate changing daily. Interest rate is calculated based on FFB Prime Rate in effect on the Change Date. As of June 30, 2022, the rate was 5.50% with no outstanding balance.

NOTE 5 LEASES

The School leases various items of equipment under capital leases. At June 30, 2022, the cost and accumulated depreciation relating to these assets were \$306,200 and \$306,200, respectively (\$306,200 and \$301,920, respectively, at June 30, 2021).

NOTE 6 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF), which is a cost-sharing multiemployer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2022 and 2021, the School contributed 5.5% of compensation for eligible teaching personnel to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2021 (the latest year reported), TRF was approximately 95% funded.

All other employees are eligible to participate in a School-sponsored section 403(b) plan. Under this plan, the School contributes 6% of compensation, as defined in the plan document. Additional contributions may be made at the discretion of the board of directors. No discretionary contributions were made in 2022 or 2021. Retirement plan expense under both plans was \$259,300 and \$242,726 for the years ended June 30, 2022 and 2021, respectively.

CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$167,592 and \$166,145 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

The School contracts with a third party to provide network and technology services to the School. Under this contract, the School has committed to make annual payments of approximately \$75,000 that expired August 2020 with the option to purchase additional services for which the School is billed as services are provided. The School contracted with a new service provider in August 2020 for five years, with an automatic extension of an additional five year term unless terminated by the parties. Payments under these agreements were \$58,578 and \$57,783 for the years ended June 30, 2022 and 2021.

NOTE 8 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Madison and surrounding counties 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 grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability 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, 2022, substantially all of the receivable balance was due from the state of Indiana. In addition, bank deposits are maintained at two financial institutions, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including an increase in nutrition and other grant funding. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash and grants receivable.

	<u>2022</u>	<u>2021</u>
Financial Assets	\$ 1,497,269	\$ 1,817,989
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Board Designated for Specific Purpose	<u>(260,039)</u>	<u>(309,782)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,237,230</u>	<u>\$ 1,508,207</u>

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The board of directors has the option to undesignate the \$260,039 and \$309,782 as of June 30, 2022 and 2021, respectively, of board-designated net assets to meet general obligations.

NOTE 10 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
OTHER REPORT
FOR THE YEAR ENDING JUNE 30, 2022**

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

Supplemental Audit Report of Central Indiana Military Academy, Inc.
dba: Anderson Preparatory Academy

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*.



**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***

Board of Directors
Central Indiana Military Academy, Inc.
dba: Anderson Preparatory Academy
Anderson, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Indiana Military Academy, Inc. dba: Anderson Preparatory Academy (the School), which comprise the statement of financial position at June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

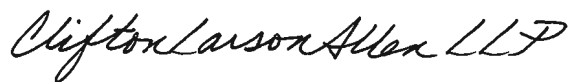
Board of Directors
Central Indiana Military Academy, Inc.
dba: Anderson Preparatory Academy

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Central Indiana Military Academy, Inc.
dba: Anderson Preparatory Academy
Anderson, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Central Indiana Military Academy, Inc. dba: Anderson Preparatory Academy's (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30,2022**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Agriculture				
Passed through Indiana Department of Education:				
Child Nutrition Cluster - National School Lunch Program	10.555	N/A	\$ -	\$ 495,734
Total Department of Agriculture			-	495,734
Department of Education				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A200014	-	23,161
Title I Grants to Local Educational Agencies	84.010	S010A210014	-	250,795
Total Assistance Listing Number 84.010			-	273,956
Passed through Indiana Department of Education:				
Special Education Cluster - Special Education Grants to States	84.027A	H027A190084	-	3,086
Special Education Cluster - Special Education Grants to States	84.027A	H027A190084	-	138,832
Special Education Cluster - Special Education Grants to States	84.027A	H027A190084	-	83,392
COVID-19: Special Education Cluster - Special Education Grants to States	84.027X	H027X210084	-	39,742
Total Assistance Listing Number 84.027			-	265,052
COVID-19: Special Education Cluster - Special Education				
Preschool Grants	84.173X	H173X210104	-	3,657
Total Special Education Cluster			-	268,709
Passed through Indiana Department of Education:				
Charter School Program	84.282D	S282D190002	-	117,215
Passed through Indiana Department of Education:				
Title II Supporting Effective Instruction State Grants	84.367	S367A190013	-	21,668
Title II Supporting Effective Instruction State Grants	84.367	S367A210013	-	30,748
Total Assistance Listing Number 84.367			-	52,416
Passed through Indiana Department of Education:				
Title IV Student Support and Academic Enrichment Program	84.424A	S424A210015	-	27,013
Title IV Student Support and Academic Enrichment Program	84.424A	S424A190015	-	6,004
Total Assistance Listing Number 84.424			-	33,017
Passed through Indiana Department of Education:				
COVID-19: CARES Coronavirus Aid, Relief, and Economic Security	84.425D	S425D200013	-	10,279
COVID-19: ESSER II Elementary and Secondary School Emergency Relief	84.425D	S425D210013	-	798,991
COVID-19: ESSER III Elementary and Secondary School Emergency Relief	84.425U	S425U210013	-	1,235,436
COVID-19: Strategic Planning	84.425U	S425U200013	-	92,500
COVID-19: GEER Governor's Emergency Education Relief Fund	84.425C	S425C200018	-	32,551
Total Assistance Listing Number 84.425			-	2,169,757
Total Department of Education			-	2,915,070
Total Expenditures of Federal Awards			\$ -	\$ 3,410,804

CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Central Indiana Military Academy, Inc. dba: Anderson Preparatory Academy (the School) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position of the School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or a limited as to reimbursement.

The School has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

84.425

Name of Federal Program or Cluster

CARES, ESSER II, ESSER III, Strategic Planning, GEER

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

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U.S. Department Education and U.S. Department of Agriculture

Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

Audit period: July 1, 2020 – June 30, 2021

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2021– 001 Audit Adjustments

Condition: The board and management share the ultimate responsibility for the School's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. Several significant audit adjustments were proposed and posted through the audit process. These adjustments were a necessary step in ensuring the financial statements were fairly stated in accordance with accounting principles generally accepted in the United States of America.

Status: Corrective action was taken.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2021 – 001 Schedule of Expenditure of Federal Awards Preparation

Condition: During testing, it was noted the School's draft SEFA did not properly identify items 1-3 as noted above. Additionally, the School did not complete the footnote disclosures related to the SEFA. We noted missing Assistance Listing Numbers, improper subtotalling, no name or pass-through identifying information, and missing subparts that are required to be identified under Assistance Listing 84.425. Additionally, the SEFA was not initially prepared on the same basis of accounting as the financial statements, i.e., accrual basis, thus resulting in an adjustment of approximately \$179,000.

Status: Corrective action was taken.

If the U.S. Department Education and U.S. Department of Agriculture has questions regarding this schedule, please call Jill Barker, CEO/Commandant at 765-649-8472, ext. 5201.

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U.S. Department Education and U.S. Department of Agriculture

Central Indiana Military Academy, Inc. d/b/a Anderson Preparatory Academy respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

Audit period: July 1, 2020 – June 30, 2021

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2021– 001 Audit Adjustments

Condition: The board and management share the ultimate responsibility for the School's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. Several significant audit adjustments were proposed and posted through the audit process. These adjustments were a necessary step in ensuring the financial statements were fairly stated in accordance with accounting principles generally accepted in the United States of America.

Status: Corrective action was taken.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2021 – 001 Schedule of Expenditure of Federal Awards Preparation

Condition: During testing, it was noted the School's draft SEFA did not properly identify items 1-3 as noted above. Additionally, the School did not complete the footnote disclosures related to the SEFA. We noted missing Assistance Listing Numbers, improper subtotalling, no name or pass-through identifying information, and missing subparts that are required to be identified under Assistance Listing 84.425. Additionally, the SEFA was not initially prepared on the same basis of accounting as the financial statements, i.e., accrual basis, thus resulting in an adjustment of approximately \$179,000.

Status: Corrective action was taken.

If the U.S. Department Education and U.S. Department of Agriculture has questions regarding this schedule, please call Jill Barker, CEO/Commandant at 765-649-8472, ext. 5201.

**SUPPLEMENTAL AUDIT REPORT
OF
CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY**

MADISON COUNTY, INDIANA

JULY 1, 2021 TO JUNE 30, 2022



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**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
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**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
MADISON COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman of Board of Directors	Mike Casuscelli	07/01/2021 – 06/30/2022
Treasurer	Kym Kelley	07/01/2021 – 06/30/2022
Commandant	Jill Barker	07/01/2021 – 06/30/2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Indiana Military Academy, Inc.
dba: Anderson Preparatory Academy
Anderson, Indiana

We have audited the financial statements of Central Indiana Military Academy, Inc. dba: Anderson Preparatory Academy (the School) as of and for the year ended June 30, 2022 and have issued our report thereon dated March 30, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the Academy was not in compliance with those provisions.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
MADISON COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE) for each student. In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The process used did not result in maintaining consistent and complete enrollment records for 11 students of the 75 tested for enrollment. It was noted in testing that 11 out of 75 students did not have a birth certificate on file.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an “eligible pupil”. An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines “Enrolled” as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines “Attending” as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and attendance records, etc. as determined by policy or normal practice by the School should be maintained. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

PAYROLL TESTING – PAID ADMINISTRATIVE LEAVE

During the year ended June 30, 2022, an employee was put on paid leave without having a written opinion of the attorney prior to the leave.

Suspension with pay must be supported by the written opinion of the attorney for the charter school stating that the suspension is in accordance with all federal laws and regulations, and state laws, as applicable. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**CENTRAL INDIANA MILITARY ACADEMY, INC.
DBA: ANDERSON PREPARATORY ACADEMY
MADISON COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Jill Barker (Commandant), Ryan Lynch (Board Member) and Dave Ashby (Board Treasurer) on March 30, 2023. Official response has been made part of this report and may be found beginning on page 5.

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3/30/2023

Response to Audit Findings

Finding:

AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE) for each student. In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The process used did not result in maintaining consistent and complete enrollment records for 11 students of the 75 tested for enrollment. It was noted in testing that 11 out of 75 students did not have a birth certificate on file.

Response:

Registrar will continue to follow-up with families to provide necessary documentation. We will assist families who are facing barriers to obtaining documents in all ways possible to ensure receipt of documents. We will continue to send notifications using a variety of channels including email, phone, text, and certified mail to obtain necessary information in a timely manner. We will maintain records of all attempts made to obtain birth certificate documentation.

Payroll Testing – Paid Administrative Leave

Finding:

During the year ended June 20, 2022, an employee was put on paid leave without having a written opinion of the attorney prior to the leave.

Response:

APA will follow all policies outlined in the APA Employee Manual under the Progressive Discipline section. Once a situation requires administrative leave, APA will engage with our lawyer to ensure all policies and procedures have been followed within our internal policy guidelines as well as in accordance with all regulatory requirements. Prior to issuing payment for administrative leave, APA will obtain a written opinion for our attorney attesting that the suspension and subsequent pay (as applicable) is in accordance with all federal laws and regulations as well as state laws as applicable.

Aspire Charter Academy

ASPIRE CHARTER ACADEMY, INC.



Financial Statements and Supplementary
Information

Years Ended June 30, 2022 and 2021

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ASPIRE CHARTER ACADEMY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Aspire Charter Academy, Inc.
Gary, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Aspire Charter Academy, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aspire Charter Academy, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Aspire Charter Academy, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Aspire Charter Academy, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Aspire Charter Academy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Aspire Charter Academy, Inc.'s ability to continue as a going concern for a reasonable period of time.

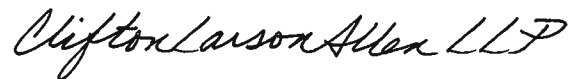
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2023 on our consideration of Aspire Charter Academy, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Aspire Charter Academy, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aspire Charter Academy, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
April 17, 2023

ASPIRE CHARTER ACADEMY, INC.**STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash	\$ 2,832,848	\$ 2,246,136
Due from governmental revenue sources	<u>456,945</u>	<u>529,172</u>
Total current assets	<u>3,289,793</u>	<u>2,775,308</u>
NON-CURRENT ASSETS:		
Capital assets	118,360	141,030
Less accumulated depreciation	<u>(115,828)</u>	<u>(129,144)</u>
Total capital assets, net of accumulated depreciation	<u>2,532</u>	<u>11,886</u>
TOTAL	<u><u>\$ 3,292,325</u></u>	<u><u>\$ 2,787,194</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 3,807	\$ 3,791
Deferred revenue	22,416	7,101
Contracted service fee payable	<u>3,132,493</u>	<u>2,726,177</u>
Total liabilities	<u>3,158,716</u>	<u>2,737,069</u>
NET ASSETS:		
Net assets without donor restrictions	<u>133,609</u>	<u>50,125</u>
TOTAL	<u><u>\$ 3,292,325</u></u>	<u><u>\$ 2,787,194</u></u>

See independent auditors' report and notes to the financial statements.

ASPIRE CHARTER ACADEMY, INC.**STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	2021
REVENUES AND SUPPORT:		
State aid	\$ 5,940,409	\$ 5,030,122
Other state sources	390,591	983,154
Federal sources	2,336,321	1,816,755
Private sources	50,871	47,523
In-kind contribution — NHA	<u>123,204</u>	<u>232,834</u>
Total revenues and support	<u>8,841,396</u>	<u>8,110,388</u>
EXPENSES:		
Contracted service fee	8,719,236	8,075,391
Depreciation	6,900	9,167
Loss on abandonment of asset	2,454	1,195
Board expenses	<u>29,322</u>	<u>33,008</u>
Total expenses	<u>8,757,912</u>	<u>8,118,761</u>
CHANGE IN NET ASSETS	83,484	(8,373)
NET ASSETS WITHOUT DONOR RESTRICTION:		
Beginning of year	<u>50,125</u>	<u>58,498</u>
End of year	<u>\$ 133,609</u>	<u>\$ 50,125</u>

See independent auditors' report and notes to the financial statements.

ASPIRE CHARTER ACADEMY, INC.**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022**

	2022			
	Program Services	Management and General	Fundraising	Total
Contracted service fee:				
Salaries and wages	\$ 3,701,920	\$ -	\$ -	\$ 3,701,920
Retirement contributions	52,847	-	-	52,847
Other employee benefits	552,841	-	-	552,841
Payroll taxes	257,029	-	-	257,029
Accounting fees	8,452	85,387	-	93,839
Curriculum, textbooks, and supplies	159,596	-	-	159,596
Postage and shipping	4,962	-	-	4,962
Occupancy	1,729,516	11,868	-	1,741,384
Food service	482,043	-	-	482,043
Equipment rental and maintenance	131,278	-	-	131,278
Printing and publications	15,911	-	-	15,911
Travel	14,604	-	-	14,604
Conferences and meetings	20,980	-	-	20,980
Professional fees	534,722	-	-	534,722
Instructional support	-	91,087	-	91,087
Academic and general support	-	199,838	-	199,838
Enrollment and parent relations	-	105,290	-	105,290
Board support	-	67,528	-	67,528
Human resources	-	120,376	-	120,376
Support services	-	32,590	-	32,590
Technology	18,380	75,384	-	93,764
Marketing and business development	124,182	24,914	-	149,096
Insurance	30,383	-	-	30,383
Miscellaneous	65,328	-	-	65,328
Total contracted service fee	7,904,974	814,262	-	8,719,236
Depreciation	6,900	-	-	6,900
Loss on Abandonment of Assets	2,454	-	-	2,454
Expenses of Board of Directors	29,322	-	-	29,322
Total expenses	<u>\$ 7,943,650</u>	<u>\$ 814,262</u>	<u>\$ -</u>	<u>\$ 8,757,912</u>

See independent auditors' report and notes to the financial statements.

ASPIRE CHARTER ACADEMY, INC.**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021**

	2021			
	Program Services	Management and General	Fundraising	Total
Contracted service fee:				
Salaries and wages	\$ 3,253,724	-	\$ -	\$ 3,253,724
Retirement contributions	49,022	-	-	49,022
Other employee benefits	655,612	-	-	655,612
Payroll taxes	251,230	-	-	251,230
Accounting fees	8,256	62,535	-	70,791
Curriculum, textbooks, and supplies	371,196	-	-	371,196
Postage and shipping	3,663	-	-	3,663
Occupancy	1,572,799	10,920	-	1,583,719
Food service	101,400	-	-	101,400
Equipment rental and maintenance	167,590	-	-	167,590
Printing and publications	15,651	-	-	15,651
Travel	1,766	-	-	1,766
Conferences and meetings	19,561	-	-	19,561
Professional fees	639,816	-	-	639,816
Instructional support	-	126,265	-	126,265
Academic and general support	-	220,358	-	220,358
Enrollment and parent relations	-	40,773	-	40,773
Board support	-	61,725	-	61,725
Human resources	-	102,038	-	102,038
Support services	-	28,594	-	28,594
Technology	15,256	91,995	-	107,251
Marketing and business development	134,474	28,053	-	162,527
Insurance	23,414	-	-	23,414
Miscellaneous	17,700	-	-	17,704
Total contracted service fee	7,302,131	773,256	-	8,075,391
Depreciation	9,167	-	-	9,167
Loss on Abandonment of Assets	1,195	-	-	1,195
Expenses of Board of Directors	33,008	-	-	33,008
Total expenses	<u>\$ 7,345,501</u>	<u>\$ 773,256</u>	<u>\$ -</u>	<u>\$ 8,118,761</u>

See independent auditors' report and notes to the financial statements.

ASPIRE CHARTER ACADEMY, INC.

STATEMENT OF CASH FLOWS YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
State aid	\$ 6,152,937	\$ 4,848,796
Other state sources	403,661	983,154
Federal sources	2,196,039	1,659,755
Private sources	53,097	46,721
Payments for services rendered	<u>(8,219,022)</u>	<u>(6,828,538)</u>
Net Cash Provided by Operating Activities	<u>586,712</u>	<u>709,888</u>
Net Change in Cash and Restricted Cash	586,712	709,888
Beginning of year	<u>2,246,136</u>	<u>1,536,248</u>
End of year	<u><u>\$ 2,832,848</u></u>	<u><u>\$ 2,246,136</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 83,484	\$ (8,373)
Depreciation	6,900	9,167
Loss on Abandonment of Asset	2,454	1,195
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in due from governmental revenue sources	72,227	(338,327)
Change in accounts payable	16	3,791
Change in contracted service fee payable	15,315	1,043,236
Change in deferred revenue	<u>406,316</u>	<u>(801)</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 586,712</u></u>	<u><u>\$ 709,888</u></u>
NON-CASH ACTIVITY — In-kind contribution from NHA	<u>123,204</u>	<u>\$ 232,834</u>

See independent auditors' report and notes to the financial statements.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

1. NATURE OF OPERATIONS AND REPORTING ENTITY

Aspire Charter Academy, Inc. (the “Academy”) is a public benefit not-for-profit organization established under the laws of the State of Indiana that provides education based on rigorous teaching methods, parental involvement, student responsibility, and basic moral values. The Academy provides education, at no cost to the parent, to students in kindergarten through the eighth grade. Enrollment is open to all appropriately aged children without regard to gender, ethnic background, disability, and/or religious affiliation. The Academy served approximately 652 students during the 2021-2022 school year.

The Board of Directors of the Academy entered into a management agreement (the “agreement”) with National Heritage Academies, Inc. (“NHA”) which requires NHA to provide administration, strategic planning and all labor, materials, equipment, and supervision necessary for the provision of educational services to students. As part of the consideration received under the agreement, NHA also provides the facility in which the Academy operates. The agreement will continue until the termination or expiration of the charter contract, unless at least 90 days written notice of intent to terminate or renegotiate is given by either the Academy or NHA.

Under the terms of the agreement, NHA receives all Academy revenue from all sources as their contracted service fee. NHA is entitled to any difference between the gross management fee and the operating costs of the Academy as compensation for management services rendered.

The Academy operates a public charter school established under Indiana Code 20-24-3-1 and is sponsored by Ball State University, which is responsible for oversight of the Academy’s operations. Under this Charter, the Academy has agreed to pay to Ball State University an annual fee equal to 3% of the state tuition support, which is included in the expenses assumed by NHA as described. This amounted to \$158,352 and \$150,903 for the fiscal years 2022 and 2021, respectively. The charter expires on June 30, 2025 and is subject to renewal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, and expenditures during the reporting period. Actual results could differ from those estimates.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition — Revenues primarily come from conditional resources provided under the Indiana Charter Schools Act. Under the Act, the Academy receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the State of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the Academy's revenue is the product of cost reimbursement grants. Therefore, the Academy recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022 and 2021, the Academy deferred \$22,416 and \$7,101, respectively, of such conditional funding.

Grant Revenue — The Academy receives income from grants and contributions that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions. There were no such restricted revenues during the years ended June 30, 2022 and 2021.

In-Kind Contribution — The Academy receives in-kind contribution based upon the service agreement with NHA. NHA covers all expenses of the Academy and the revenue received by the Academy is paid to NHA. If the Academy incurs more expenses than revenues, NHA contributes this amount to the Academy based upon actual direct expenses.

Cash — Cash as of June 30, 2022 represents bank deposits with a carrying amount of \$2,832,848 and a bank balance of \$2,835,523 of which \$2,585,523 was uninsured and uncollateralized by federal depository insurance. The Academy does not have a deposit policy for custodial credit risk, as it typically does not anticipate holding uninsured deposits based on the nature of its management agreement with NHA. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracted Service Fee Payable — Contracted service fee payable as of June 30, 2022 and 2021 represents a timing difference between funds received from governmental sources and amounts payable to NHA in accordance with the services agreement.

Capital Assets — Capital assets, which include other equipment, are reported in the financial statements at historical cost. Capital assets are defined by the Academy as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Other equipment is depreciated using the straight-line method over useful lives of 3–10 years.

Impairment of Long-Lived Assets — On an ongoing basis, the Academy reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Academy recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

The Financial Statements — The financial statements are presented as follows:

Net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restriction — Net assets which are not subject to donor imposed or governmental stipulations.

Income Taxes — The Academy operates as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Academy has received notification from the Internal Revenue Service (IRS) that they are considered exempt from Federal income tax under Section 501(c)(3) of the internal revenue code. Accordingly, no provision for federal income taxes has been made.

Professional accounting standards require the Academy 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 Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2015 are open to audit for both federal and state purposes.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements — In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The accounting for lessors will remain relatively unchanged. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standards. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Academy's financial statements; however, the impact of the adoption is not expected to be significant as the facility sublease agreement with NHA is considered short-term as disclosed in Note 6.

Change in Accounting Principles — In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This standard requires that contributed nonfinancial assets are reported on a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

Subsequent Events — The Academy evaluated subsequent events through April 17, 2023, 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.

3. DUE FROM GOVERNMENTAL REVENUE SOURCES

The Academy's accounts receivable balance consists of \$456,945 and \$529,172 in federal grants receivable and state special education as of June 30, 2022 and 2021, respectively. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible accounts were recorded.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

4. LIQUIDITY

The Academy has \$3,289,793 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$2,832,848 and amounts due from governmental revenue sources of \$456,945 at June 30, 2022. The Academy had \$2,775,308 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash of \$2,246,136 and amounts due from governmental revenue sources of \$529,172 at June 30, 2021. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Academy has a goal to maintain financial assets, which consist of cash and short-term receivables on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$1,467,388 and \$1,353,127 at June 30, 2022 and 2021, respectively.

While the Academy will not always carry financial assets in excess of 60 days of normal operating expenses, due to their management agreement with NHA, NHA is required to make contributions to the Academy if the Academy's expenditures exceed the school's revenue during the year.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

5. CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities for the year ended June 30, 2022, was as follows:

Year Ended June 30, 2022	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Other equipment	<u>\$ 141,030</u>	<u>\$ -</u>	<u>\$ (22,670)</u>	<u>\$ 118,360</u>
Total capital assets at historical cost	<u>141,030</u>	<u>-</u>	<u>(22,670)</u>	<u>118,360</u>
Less accumulated depreciation — equipment	<u>(129,144)</u>	<u>(6,900)</u>	<u>20,216</u>	<u>(115,828)</u>
Total accumulated depreciation	<u>(129,144)</u>	<u>(6,900)</u>	<u>20,216</u>	<u>(115,828)</u>
Total capital asset activity, net	<u>\$ 11,886</u>	<u>\$ (6,900)</u>	<u>\$ (2,454)</u>	<u>\$ 2,532</u>

Capital asset activity of the Academy's governmental activities for the year ended June 30, 2021, was as follows:

Year Ended June 30, 2021	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Other equipment	<u>\$ 191,883</u>	<u>\$ -</u>	<u>\$ (50,853)</u>	<u>\$ 141,030</u>
Total capital assets at historical cost	<u>191,883</u>	<u>-</u>	<u>(50,853)</u>	<u>141,030</u>
Less accumulated depreciation — equipment	<u>(169,635)</u>	<u>(9,167)</u>	<u>49,658</u>	<u>(129,144)</u>
Total accumulated depreciation	<u>(169,635)</u>	<u>(9,167)</u>	<u>49,658</u>	<u>(129,144)</u>
Total capital asset activity, net	<u>\$ 22,248</u>	<u>\$ (9,167)</u>	<u>\$ (1,195)</u>	<u>\$ 11,886</u>

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

6. OPERATING LEASE

The Academy has entered into a sublease agreement with NHA for a facility to house the Academy. The lease term is from July 1, 2021 through June 30, 2022. Annual rental payments required by the lease are \$907,358 payable in twelve monthly payments of \$75,613. The lease agreement can be cancelled upon termination of the NHA services agreement.

The Academy subsequently renewed the sublease with NHA for the period of July 1, 2022 through June 30, 2023 at the same rental rate.

7. RISKS AND UNCERTAINTIES

The Academy is exposed to various risks of loss related to general liability. Commercial insurance policies to cover certain risks of loss have been obtained. There have been no significant reductions in insurance coverage during fiscal year 2022, and claims did not exceed coverage less retained risk deductible amounts in the past three fiscal years.

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

The Academy has received proceeds from several federal and state grants. Periodic audits of these grants are required, and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

Financial instruments that potentially subject the Academy to concentrations of credit risk consist principally of receivables due from the State of Indiana. At June 30, 2022 and 2021, all of the receivable balance was due from the State of Indiana.

8. FUNCTIONAL EXPENSES

The Academy provides educational services to its students. The costs of providing the program and support services are allocated on an actual basis, when possible. Certain expenses attributable to more than one function require an allocation on a reasonable basis that is consistently applied.

ASPIRE CHARTER ACADEMY, INC.

OTHER REPORT FOR THE YEAR ENDED JUNE 30, 2022

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

Supplemental Audit Report of Aspire Charter Academy, Inc.

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*.



**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**

Board of Directors
Aspire Charter Academy, Inc.
Gary, Indiana

We have audited, 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, the financial statements of Aspire Charter Academy, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aspire Charter Academy, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Aspire Charter Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Aspire Charter Academy, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aspire Charter Academy, Inc.'s financial statements are free from 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 financial statements. 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*.

Purpose of This Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
April 17, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Aspire Charter Academy, Inc.
Gary, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Aspire Charter Academy, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Aspire Charter Academy, Inc.'s major federal programs for the year ended June 30, 2022. Aspire Charter Academy, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Aspire Charter 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Aspire Charter Academy, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Aspire Charter Academy, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Aspire Charter Academy, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Aspire Charter Academy, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Aspire Charter Academy, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Aspire Charter Academy, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Aspire Charter Academy, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Aspire Charter Academy, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

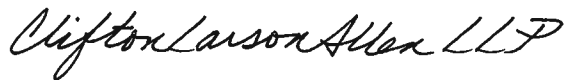
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Aspire Charter Academy, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
April 17, 2023

ASPIRE CHARTER ACADEMY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
<i>Pass-Through Indiana Department of Education</i>				
Child Nutrition Cluster				
School Breakfast Program	10.553	N/A	\$ -	\$ 179,226
National School Lunch Program	10.555	N/A	-	387,754
National School Lunch Program - Snacks	10.555	N/A	-	2,180
Total U.S. Department of Agriculture			-	569,160
U.S. DEPARTMENT OF EDUCATION				
<i>Pass-Through Indiana Department of Education</i>				
Title I Grants to Local Educational Agencies	84.010	S010A200014	-	76,086
Title I Grants to Local Educational Agencies	84.010	S010A210014	-	876,197
Total			-	952,283
Special Education Grants to States	84.027	220450	-	111,888
COVID-19: Special Education Grants to States	84.027	221280	-	41,044
Total			-	152,932
Supporting Effective Instruction State Grants	84.367	S367A200013	-	26,946
Supporting Effective Instruction State Grants	84.367	S367A210013	-	40,727
Total			-	67,673
COVID-19: Elementary and Secondary School Emergency Relief Fund	* 84.425D	203710	-	414,076
COVID-19: Elementary and Secondary School Emergency Relief Fund	* 84.425D	213712	-	48,010
COVID-19: Elementary and Secondary School Emergency Relief Fund	* 84.425U	213713	-	132,187
Total			-	594,273
Total U.S. Department of Education			-	1,767,161
Total Federal Awards Expended			\$ -	\$ 2,336,321

* Denotes Major Program

See accompanying Notes to Schedule of Expenditures of Federal Awards.

ASPIRE CHARTER ACADEMY, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS OF AND FOR THE YEAR ENDED JUNE 30, 2022 AND 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Aspire Charter Academy, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Aspire Charter Academy, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Aspire Charter Academy, Inc.

Aspire Charter Academy, Inc.'s programs are funded jointly by federal and state funds. Costs incurred in such programs are applied against federal grant funds to the extent of the grant award provisions and against state funds for the balance. Federal and state program awards are reported in the financial statements under the caption "Government reimbursements".

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

Aspire Charter Academy, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

ASPIRE CHARTER ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

84.425

Name of Federal Program or Cluster

Education Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

ASPIRE CHARTER ACADEMY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

**SUPPLEMENTAL AUDIT REPORT
OF
ASPIRE CHARTER ACADEMY, INC.**

LAKE COUNTY INDIANA

JULY 1, 2021 TO JUNE 30, 2022



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**ASPIRE CHARTER ACADEMY, INC.
LAKE COUNTY, INDIANA
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**ASPIRE CHARTER ACADEMY, INC.
LAKE COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	Denise Dillard	07/01/2021 – 06/30/2022
Board Treasurer	Rachael Wright	07/01/2021 – 06/30/2022
School Leader	Renae Robinson	07/01/2021 – 06/30/2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Aspire Charter Academy, Inc.
Gary, Indiana

We have audited the financial statements of Aspire Charter Academy, Inc. (the Academy) as of and for the year ended June 30, 2022 and have issued our report thereon dated April 17, 2023. As part of our audit, we tested the Academy's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the Academy was not in compliance with those provisions.

CliftonLarsonAllen LLP

Indianapolis, Indiana
April 17, 2023

**ASPIRE CHARTER ACADEMY, INC.
LAKE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

AVERAGE DAILY MEMBERSHIP (ADM) TESTING – REPORTING CERTIFICATIONS

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. During our testing, we noted that the Fall 2021 and Spring 2022 provided for testing did not include the certifications or documentation of timely submission.

The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

REQUIRED REPORTS – ANNUAL FINANCIAL REPORT (AFR)

During our testing, it was noted that the Annual Financial Report (AFR) was not filed with the state per review of the Indiana Gateway website until November 10, 2022, which was 73 days past the filing due date of August 29, 2022.

Charter Schools are required to file an annual report with the State Examiner not later than sixty (60) days after the close of each fiscal year, IC5-11-1-4. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

**ASPIRE CHARTER ACADEMY, INC.
LAKE COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on April 14, 2023, with Denise Dillard (Board President), Rachael Wright (Board Treasurer), Renae Robinson (School Leader), along with Nate McCorry and Andrew Gayle from National Heritage Academies. Official response has been made part of this report and may be found beginning on page 5.

Aspire Charter Academy

June 30, 2022

Finding: Average Daily Membership (ADM) Testing – Reporting Certifications

Condition: The Organizer is responsible for reporting Average Daily Membership (ADM) to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. During testing, it was noted that the Fall 2021 and Spring 2022 provided for testing did not include the certifications or documentation of timely submission.

Management Response: Management agrees with the facts of this finding. Management noted the process change that is needed with reporting to the IDOE website and is retaining the certifications as they are submitted.

Finding: Annual Financial Report (AFR)

Condition: During testing, it was noted that the Annual Financial Report (AFR) was not filed with the state per review of the Indiana Gateway website until November 10, 2022, which was 73 days past the filing due date of August 29, 2022.

Management Response: Management agrees with the facts of this finding and is in the process of adding this task to a project tracking software to ensure timely submission in the future.



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The Bloomington Project School

**THE BLOOMINGTON PROJECT SCHOOL
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**



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**THE BLOOMINGTON PROJECT SCHOOL
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Bloomington Project School
Bloomington, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Bloomington Project School, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Bloomington Project School as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Bloomington Project School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Bloomington Project School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Bloomington Project School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Bloomington Project School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 2, 2023

**THE BLOOMINGTON PROJECT SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 769,385	\$ 878,161
Grants Receivable	103,632	113,438
Prepaid Expenses	9,000	9,000
Total Current Assets	<u>882,017</u>	<u>1,000,599</u>
PROPERTY AND EQUIPMENT		
Construction in Progress	-	30,882
Buildings and Improvements	2,678,008	2,445,838
Furniture and Equipment	505,402	503,959
Textbooks	10,295	77,304
Less: Accumulated Depreciation	<u>(1,497,709)</u>	<u>(1,444,606)</u>
Property and Equipment, Net	1,695,996	1,613,377
OTHER ASSETS		
Security Deposits	<u>12,500</u>	<u>12,500</u>
Total Assets	<u><u>\$ 2,590,513</u></u>	<u><u>\$ 2,626,476</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 17,058	\$ 33,741
Accrued Expenses	207,685	202,038
Current Portion of Line of Credit	27,366	26,367
Current Portion of Notes Payable	135,478	131,650
Current Portion of Capital Lease Obligations	3,722	3,474
Deferred Rent	95,976	57,457
Refundable Advances	13,815	-
Total Current Liabilities	<u>501,100</u>	<u>454,727</u>
LONG-TERM LIABILITIES		
Line of Credit, Net of Current Portion	89,346	116,638
Notes Payable, Net of Current Portion	1,038,820	1,176,319
Loan Payable Under Paycheck Protection Program	-	-
Capital Lease Obligations, Net of Current Portion	<u>8,259</u>	<u>11,981</u>
Total Long-Term Liabilities	<u>1,136,425</u>	<u>1,304,938</u>
Total Liabilities	1,637,525	1,759,665
NET ASSETS WITHOUT DONOR RESTRICTIONS		
	<u>952,988</u>	<u>866,811</u>
Total Liabilities and Net Assets	<u><u>\$ 2,590,513</u></u>	<u><u>\$ 2,626,476</u></u>

See accompanying Notes to Financial Statements.

**THE BLOOMINGTON PROJECT SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 2,363,211	\$ 2,141,521
Grant Revenue	890,190	839,203
Student Fees	45,867	25,260
Contributions	77,589	138,664
Other Income	47,357	46,970
Gain on Extinguishment of Paycheck Protection Program Loan	-	335,100
Total Revenue and Support	<u>3,424,214</u>	<u>3,526,718</u>
EXPENSES		
Program Services	2,387,211	2,021,722
Management and General	950,826	834,693
Total Expenses	<u>3,338,037</u>	<u>2,856,415</u>
CHANGE IN NET ASSETS	86,177	670,303
Net Assets Without Donor Restrictions - Beginning of Year	<u>866,811</u>	<u>196,508</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u><u>\$ 952,988</u></u>	<u><u>\$ 866,811</u></u>

See accompanying Notes to Financial Statements.

**THE BLOOMINGTON PROJECT SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 1,712,849	\$ 135,437	\$ 1,848,286	\$ 1,477,110	\$ 122,512	\$ 1,599,622
Employee Benefits	351,145	39,064	390,209	323,910	37,178	361,088
Staff Development	340	-	340	-	-	-
Professional Services	60,212	161,227	221,439	64,234	144,356	208,590
Repairs and Maintenance	-	2,887	2,887	-	-	-
Authorizer Oversight Fees	44,517	-	44,517	36,639	-	36,639
Food Costs	-	86,104	86,104	1,152	51,972	53,124
Equipment	3,814	13,161	16,975	-	35,645	35,645
Classroom, Kitchen, and Office Supplies	146,251	20,390	166,641	64,332	31,164	95,496
Occupancy	-	221,714	221,714	-	179,720	179,720
Depreciation	-	122,114	122,114	-	100,356	100,356
Interest	-	88,753	88,753	-	91,663	91,663
Insurance	-	24,897	24,897	-	25,278	25,278
Other	68,083	35,078	103,161	54,345	14,849	69,194
Total Functional Expenses	<u>\$ 2,387,211</u>	<u>\$ 950,826</u>	<u>\$ 3,338,037</u>	<u>\$ 2,021,722</u>	<u>\$ 834,693</u>	<u>\$ 2,856,415</u>

See accompanying Notes to Financial Statements.

**THE BLOOMINGTON PROJECT SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 86,177	\$ 670,303
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	122,114	100,356
Gain on Paycheck Protection Program Loan Extinguishment	-	(335,100)
Changes in Operating Assets and Liabilities:		
Grants Receivable	9,806	(73,475)
Prepaid Expenses	-	3,023
Accounts Payable	(16,683)	24,849
Accrued Expenses	5,647	(94,545)
Refundable Advances	13,815	(44,166)
Deferred Rent Payable	38,519	36,439
Net Cash Provided by Operating Activities	<u>259,395</u>	<u>287,684</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(204,733)	(157,526)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayments of Notes Payable, Net	(133,671)	(114,908)
Proceeds from Line of Credit, Net	(26,293)	143,005
Proceeds from (Payments on) Capital Lease Activities	<u>(3,474)</u>	<u>(3,243)</u>
Net Cash Provided (Used) by Financing Activities	<u>(163,438)</u>	<u>24,854</u>
NET CHANGE IN CASH	(108,776)	155,012
Cash - Beginning of Year	<u>878,161</u>	<u>723,149</u>
CASH - END OF YEAR	<u><u>\$ 769,385</u></u>	<u><u>\$ 878,161</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 88,753</u></u>	<u><u>\$ 91,663</u></u>

See accompanying Notes to Financial Statements.

THE BLOOMINGTON PROJECT SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Bloomington Project School (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates as a public charter school established under Indiana Code 20-24 serving approximately 307 students in grades kindergarten through eighth and is sponsored by Ball State University.

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 primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. As of June 30, 2022 and 2021, the School had \$13,815 and \$-0-, respectively, of conditional grants that had not been recognized as revenue in the statements of activities because conditions had not been met.

Revenue from student fees and other income is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts received prior to the service being performed are reported as deferred revenue in the statement of financial position. As of June 30, 2022 and 2021, the School did not have any such deferred revenue.

Contributions

The School receives income from contributions and grants that support certain School activities. Such revenue received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The School reports gifts of cash and other assets and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purposes' restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restriction. The School did not have any net assets with donor restrictions as of June 30, 2022 and 2021.

**THE BLOOMINGTON PROJECT SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

Grants Receivable

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

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 \$1,000 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:

Buildings and Improvements	Lesser of 30 Years or Life of Lease
Furniture and Equipment	3 to 5 Years
Textbooks	4 Years

Taxes on Income

The Bloomington Project School, Inc. has received a determination from the U.S. Department of Treasury 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, 2022 and 2021, 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2017 are open to audit for both federal and state purposes.

**THE BLOOMINGTON PROJECT SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements and Future Changes in Accounting Principle

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This update increases the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Management is evaluating the impact of this standard on the School.

Subsequent Events

The School evaluated subsequent events through February 2, 2023, 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.

NOTE 2 LINE OF CREDIT

On February 28, 2020, the School entered into a credit agreement with a bank for a line of credit which permits borrowing up to \$168,000. Principal and interest payments of \$2,628 are due monthly beginning in March of 2021 with an interest rate of 3.95% with final payment due in February of 2027. The line of credit is secured by any and all existing and subsequent security documents, including mortgages, security agreements, and collateral assignments by any Borrower or Guarantor. As of June 30, 2022, the line of credit balance was \$116,712.

Principal maturities of the line of credit are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 27,366
2024	28,474
2025	29,643
2026	30,853
2027	376
Total	<u><u>\$ 116,712</u></u>

**THE BLOOMINGTON PROJECT SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 3 NOTES PAYABLE

Notes payable consisted of the following as of June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Note Payable to Indiana Finance Authority	\$ 213,337	\$ 286,241
Note Payable to IFF	931,621	985,869
Common School Fund Loan	29,340	35,859
Total	1,174,298	1,307,969
Less: Current Portion	(135,478)	(131,650)
Long-Term Portion	<u>\$ 1,038,820</u>	<u>\$ 1,176,319</u>

Indiana Finance Authority Note Payable

The note payable to Indiana Finance Authority is payable in quarterly installments of \$17,798, including interest at 5.5% per annum. The loan was funded through the sale of Qualified School Construction Bonds, which provide for the interest to be subsidized by the U.S. federal government. The loan is subordinate to the IFF note payable.

IFF Note Payable

The note payable to IFF is payable in monthly installments of \$10,028, including interest at 6.875% per annum, with the unpaid balance due on August 1, 2033. The note is secured by a leasehold mortgage, and furniture and equipment. The promissory note with IFF contains several financial and nonfinancial covenants with which the School is required to comply annually. The School was in compliance with all covenants as of June 30, 2022 and 2021.

Common School Fund Loan

The note payable to the Indiana Common School Fund is payable in semi-annual principal installments of \$3,260 from January 2017 to July 2026, with interest at 1% per annum.

Principal maturities of all notes payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 135,478
2024	139,577
2025	143,728
2026	77,476
2027	79,251
Thereafter	598,788
Total	<u>\$ 1,174,298</u>

THE BLOOMINGTON PROJECT SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 LEASES

The School entered into a capital lease financing agreement during the year ended June 30, 2020 for a piece of equipment. The original cost related to this asset was \$18,698. At June 30, 2022 and 2021, the cost and accumulated depreciation related to this asset was \$11,981 and \$15,455, respectively.

Minimum future lease payments as of June 30, 2022 under the capital lease and the present value of the net minimum lease payments are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 4,459
2024	4,459
2025	4,459
Total	<u>13,377</u>
Less: Amount Representing Interest	<u>(1,396)</u>
Total	<u><u>\$ 11,981</u></u>

The School leases its school facility under an operating lease, which was renewed effective June 30, 2019. The lease requires monthly rental payments in the first year of \$7,467, which increase annually over the term of the lease by the lesser of 2% or the consumer price index for the preceding 12 months. The lease expires June 30, 2024 and is renewable for three additional five-year periods which are included in the below lease schedule. The lease requires the School to pay for certain repairs and maintenance, utilities, and other ongoing expenses required to maintain the facilities.

The School entered a second school facility operating lease, effective January 23, 2020. The lease requires monthly rental payments in the first two years of \$3,000, which increases every two years over the term of the lease by \$1,000. The lease expires June 30, 2030 with renewal discussions occurring after year seven. The lease requires the School to pay for certain repairs and maintenance, utilities, and other ongoing expenses required to maintain the facilities.

Expense under operating leases was \$197,770 and \$188,914 for the years ended June 30, 2022 and 2021, respectively. Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 148,082
2024	155,612
2025	162,736
2026	166,408
2027	173,131
Thereafter	<u>2,280,308</u>
Total	<u><u>\$ 3,086,277</u></u>

The School also rents certain items of office equipment under operating leases.

THE BLOOMINGTON PROJECT SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 DEBT EXTINGUISHMENT

On May 1, 2020, the School received proceeds in the amount of \$335,100 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP loan was formally forgiven by the U.S. Small Business Administration (SBA) on May 12, 2021. Accordingly, the School recognized a gain on the extinguishment of debt of \$335,100 during the year ended June 30, 2021. This amount is included in the 2021 statement of activities and change in net assets as gain on extinguishment of payroll protection program loan.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

NOTE 6 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For both years ended June 30, 2022 and 2021, the School contributed 5.5% of compensation for eligible teaching personnel to TRF and 11.2% for other employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

Employees can elect benefits under a 403(b) plan, where the School contributes 7.5% of compensation.

Retirement plan expense was \$100,965 and \$103,312 for the years ended June 30, 2022 and 2021, respectively.

THE BLOOMINGTON PROJECT SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$44,517 and \$36,639 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2026, and is renewable thereafter by mutual consent.

The School has contracted with Charter School Management Corporation (CSMC) to provide finance, business consulting, compliance, payroll, human resources, and other services. This contract remains in effect until June 30, 2024, and is automatically renewed on a year-to-year basis commencing on the last day of the expiring contract unless written notice of intent to terminate or renegotiate is given by either party at least 60 days prior to expiration of the agreement.

Under the terms of the agreement, the School has agreed to pay CSMC the following amounts for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 60,000
2024	60,000

Expenses under the agreement were \$60,000 and \$60,000 for the years ended June 30, 2022 and 2021, respectively.

**THE BLOOMINGTON PROJECT SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 RISKS AND UNCERTAINTIES

The School provides education instruction services to families residing in Monroe and surrounding counties 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 grants awarded under federal programs. 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 liability 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, 2022, substantially all of the receivable balance was due from the state of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit of \$250,000. Funds held at this financial institution exceed the FDIC insurance limit. To date, the School has not experienced losses in any of these accounts.

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the School, COVID-19 has impacted various parts of its 2021 and 2020 operations and financial results, including an increased demand for virtual learning options. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 9 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statements of financial position. The School's financial assets include cash and grants receivable as noted below at June 30:

	2022	2021
Financial Assets	\$ 873,017	\$ 991,599
Less: Those Unavailable for General Expenditures		
Within One Year: Extracurricular Account	(185,620)	(183,606)
Financial Assets Available to Meet Cash		
Needs for General Expenditures Within One Year	\$ 687,397	\$ 807,993

**THE BLOOMINGTON PROJECT SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 LIQUIDITY (CONTINUED)

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**THE BLOOMINGTON PROJECT SCHOOL
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of The Bloomington Project 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*.

SUPPLEMENTAL AUDIT REPORT
THE BLOOMINGTON PROJECT SCHOOL
MONROE COUNTY, INDIANA
JULY 1, 2021 TO JUNE 30, 2022



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**THE BLOOMINGTON PROJECT SCHOOL
MONROE COUNTY, INDIANA
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**THE BLOOMINGTON PROJECT SCHOOL
MONROE COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Mike Horvath	07/01/2021 – 06/30/2022
School Leader	Catherine Diersing	07/01/2021 – 06/30/2022
Business Manager	Terri Burks	07/01/2021 – 06/30/2022
Business Manager	Lisa Jones	07/01/2021 – 06/30/2022



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INDEPENDENT AUDITORS' REPORT

School Officials
The Bloomington Project School
Bloomington, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of The Bloomington Project School (the School), as of and for the year ended June 30, 2022, and have issued our report thereon dated February 2, 2023. As part of our audit, we tested the School's compliance with provisions of the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
February 2, 2023

**THE BLOOMINGTON PROJECT SCHOOL
MONROE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

AMOUNTS WITHHELD – PENALTIES AND INTEREST PAID

During our testing of amounts withheld as part of payroll testing, it was noted that during the year ended June 30, 2022, the School was notified of a discrepancy in the March 2021 withholding filing that resulted in penalties (\$327.62) and interest (\$4.97) being assessed to the School.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**THE BLOOMINGTON PROJECT SCHOOL
MONROE COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Catherine Diersing, Lisa Jones, and representatives from the board of directors and outsourced bookkeepers, CSMC, on December 5, 2022. The officials concurred with our audit findings. The Official Response has been made part of this report and may be found on page 5.



the project school

heart | mind | voice

349 S. Walnut Street, Bloomington, IN 47401

Phone: 812-558-0041 Fax: 812-334-5873

Finding: *During our testing of amounts withheld as part of payroll testing, it was noted that during the year ended June 30, 2022, the School was notified of a discrepancy in the March 2021 withholding filing that resulted in penalties (\$327.62) and interest (\$4.97) being assessed to the School. Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)*

Based on the belief that it was an appropriate request, on behalf of The Bloomington Project School, a COVID payroll exemption was sought during March 2021. After the fact, it was determined that the school did not qualify, resulting in the above penalties and interest, which the school has now paid.

Respectfully submitted,

Catherine Diersing
Superintendent



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Canaan Community Academy

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY**

**FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**



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**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of Canaan, Inc.
dba: Canaan Community Academy
Madison, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Friends of Canaan, Inc. dba: Canaan Community Academy, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends of Canaan, Inc. dba: Canaan Community Academy as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Friends of Canaan, Inc. dba: Canaan Community Academy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Canaan, Inc. dba: Canaan Community Academy's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Friends of Canaan, Inc. dba: Canaan Community Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Friends of Canaan, Inc. dba: Canaan Community Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 27, 2023

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 146,545	\$ 168,735
Grants Receivable	80,327	87,832
In-Kind Rent Receivable	115,752	266,649
Prepaid Expenses	8,436	28,316
Total Current Assets	<u>351,060</u>	<u>551,532</u>
PROPERTY AND EQUIPMENT		
Leasehold Improvements	285,724	42,969
Furniture and Equipment	295,864	287,997
Textbooks	141,310	141,310
Vehicles	233,214	164,596
Less: Accumulated Depreciation	(455,603)	(411,657)
Property and Equipment, Net	<u>500,509</u>	<u>225,215</u>
Total Assets	<u><u>\$ 851,569</u></u>	<u><u>\$ 776,747</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 16,655	\$ 15,687
Accounts Payable and Accrued Expenses	169,248	155,316
Deferred Revenue	116,400	44,000
Refundable Advances	-	815
Total Current Liabilities	<u>302,303</u>	<u>215,818</u>
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	<u>17,607</u>	<u>34,245</u>
Total Liabilities	319,910	250,063
NET ASSETS		
Without Donor Restrictions	415,907	260,035
With Donor Restrictions	115,752	266,649
Total Net Assets	<u>531,659</u>	<u>526,684</u>
Total Liabilities and Net Assets	<u><u>\$ 851,569</u></u>	<u><u>\$ 776,747</u></u>

See accompanying Notes to Financial Statements.

FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
State Education Support	\$ 999,996	\$ -	\$ 999,996	\$ 1,012,857	\$ -	\$ 1,012,857
Grant Revenue	774,481	-	774,481	413,255	-	413,255
Student Fees	288	-	288	15,600	-	15,600
Contributions	4,637	-	4,637	2,933	-	2,933
Other Income	44,881	-	44,881	14,804	-	14,804
Net Assets Released from Restrictions	150,897	(150,897)	-	147,057	(147,057)	-
Total Revenue and Support	1,975,180	(150,897)	1,824,283	1,606,506	(147,057)	1,459,449
EXPENSES						
Program Services	1,578,589	-	1,578,589	1,340,960	-	1,340,960
Management and General	240,719	-	240,719	245,681	-	245,681
Total Expenses	1,819,308	-	1,819,308	1,586,641	-	1,586,641
CHANGE IN NET ASSETS	155,872	(150,897)	4,975	19,865	(147,057)	(127,192)
Net Assets - Beginning of Year	260,035	266,649	526,684	240,170	413,706	653,876
NET ASSETS - END OF YEAR	<u>\$ 415,907</u>	<u>\$ 115,752</u>	<u>\$ 531,659</u>	<u>\$ 260,035</u>	<u>\$ 266,649</u>	<u>\$ 526,684</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 833,317	\$ 117,322	\$ 950,639	\$ 714,642	\$ 121,064	\$ 835,706
Employee Benefits	210,093	7,636	217,729	150,059	20,785	170,844
Classroom, Kitchen, and Office Supplies	29,293	8,218	37,511	37,269	5,801	43,070
Professional Services	116,175	38,228	154,403	129,779	35,359	165,138
Food Costs	42,039	-	42,039	44,418	-	44,418
Depreciation	43,946	-	43,946	32,764	-	32,764
Occupancy	181,352	-	181,352	161,990	-	161,990
Property Rental and Maintenance	43,655	-	43,655	30,835	-	30,835
Equipment	51,582	-	51,582	17,446	-	17,446
Insurance	-	31,238	31,238	-	24,107	24,107
Authorizer Oversight Fees	-	26,765	26,765	-	26,507	26,507
Contracted Transportation Services	17,100	-	17,100	8,162	-	8,162
Interest	-	2,579	2,579	-	3,521	3,521
Staff Development	-	-	-	3,816	-	3,816
Other	10,037	8,733	18,770	9,780	8,537	18,317
Total Functional Expenses	<u>\$ 1,578,589</u>	<u>\$ 240,719</u>	<u>\$ 1,819,308</u>	<u>\$ 1,340,960</u>	<u>\$ 245,681</u>	<u>\$ 1,586,641</u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,975	\$ (127,192)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	43,946	32,764
In-Kind Rent Receivable	150,897	147,057
Changes in Operating Assets and Liabilities:		
Grants Receivable	7,505	(49,629)
Prepaid Expenses	19,880	(12,747)
Accounts Payable and Accrued Expenses	13,932	27,270
Deferred Revenue	72,400	39,375
Refundable Advances	(815)	-
Net Cash Provided by Operating Activities	<u>312,720</u>	<u>56,898</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(319,240)	(148,206)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayment of Note Payable	<u>(15,670)</u>	<u>(14,728)</u>
NET CHANGE IN CASH	(22,190)	(106,036)
Cash - Beginning of Year	<u>168,735</u>	<u>274,771</u>
CASH - END OF YEAR	<u><u>\$ 146,545</u></u>	<u><u>\$ 168,735</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 3,521</u></u>	<u><u>\$ 3,521</u></u>

See accompanying Notes to Financial Statements.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Friends of Canaan, Inc. dba: Canaan Community Academy (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 125 students in grades kindergarten through six and is sponsored by Ball State University.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). This method records revenue and related assets when earned and records expense and related liabilities when the obligations are incurred. These financial statements report amounts separately by class of net assets.

Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

Revenues primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment, and paid in monthly installments in July through June, coinciding with the academic school year. Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2022 and 2021, the School had \$116,400 and \$44,000, respectively, of deferred revenue for grant funds received in advance of related reimbursable expenses.

Cash

Cash consists of cash held in bank accounts. The School considers all demand accounts to be cash.

Grants Receivable and Revenue

Grants receivable and revenue relate primarily to activities funded under federal programs 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.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions received are measured at their fair values and are reported as an increase in net assets. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

The School has \$815 as of June 30, 2021 of conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Taxes on Income

Friends of Canaan, Inc. has received a determination from the U.S. Internal Revenue Service (IRS) stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) 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, 2022 and 2021, 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

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 \$1,000 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:

Leasehold Improvements	40 Years
Furniture and Equipment	3 to 4 Years
Textbooks	4 Years
Vehicles	5 to 10 Years

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Classification of Net Assets

Net assets of the School are classified based on the presence or absence of donor-imposed restrictions and are defined as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the School.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the School or passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. All of the net assets with donor of restrictions of the School related to the in-kind rent receivable as further described in Note 2. The School did not have any net assets with donor restrictions that are perpetual in nature as of June 30, 2022 and 2021.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or applicable state law.

Accounting Pronouncements and Future Changes in Accounting Principle

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This update increases the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Management is evaluating the impact of this standard on the School.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principles

In September 2020, FASB issued Accounting Standards (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendment to this ASU requires Not-for-Profits to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) include a disclosure of the disaggregation of the amount of contributed nonfinancial assets recognized by category that depicts the type of contributed nonfinancial assets.

Subsequent Events

The School evaluated subsequent events through March 27, 2023, the date these financial statements were available to be issued.

NOTE 2 IN-KIND RENT RECEIVABLE

The School leases its facility under an operating lease with Shelby Township. Shelby Township is providing a donation to the School by allowing it to occupy the government-owned building for an annual lease payment of \$1, below market rent, through March 2023. The present value of the contribution, as determined at the date of the lease was effective using a 2.58% interest rate, is recorded in net assets with donor restrictions and in-kind receivable. Annually, this receivable is amortized and released from restriction. The School is responsible for all repairs, maintenance, utilities, and insurance.

NOTE 3 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Note payable to German American Bank, payable \$1,521 monthly including interest at 6.00% per annum, maturing in June 2024, secured by two buses.	\$ 34,262	\$ 49,932
Less: Current Portion	<u>(16,655)</u>	<u>(15,687)</u>
Long-Term Portion	<u>\$ 17,607</u>	<u>\$ 34,245</u>

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 3 NOTES PAYABLE (CONTINUED)

Principal maturities of notes payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 16,655
2024	17,607
Total	<u>\$ 34,262</u>

NOTE 4 RETIREMENT PLAN

The School offers retirement benefits to its employees through both 403(b) and 401(a) defined contribution retirement plans. The 403(b) plan is funded solely by employee contributions. The School contributes 7.5% of each employee's salary for all full-time employees to the 401(a) plan. Retirement plan expense, net of forfeitures, was \$50,077 and \$41,005 for the years ended June 30, 2020 and 2019, respectively.

NOTE 5 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$26,765 and \$26,507 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2027 and is renewable thereafter by mutual consent.

NOTE 6 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Madison and surrounding counties 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 grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability 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, 2022, substantially all of the receivable balance was due from the state of Indiana.

FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 RISKS AND UNCERTAINTIES (CONTINUED)

In addition, bank deposits are maintained primarily at First Financial Bank, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. Funds held at this financial institution exceed the FDIC insurance limit.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including an increase in virtual school attendance and federal funding. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 7 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash and grants receivable. Financial assets at June 30, 2022 and 2021 total \$226,872 and \$256,567, respectively, all of which are available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
OTHER REPORT
JUNE 30, 2022**

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

Supplemental Audit Report of Friends of Canaan, Inc.
dba: Canaan Community Academy

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*.



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**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
JEFFERSON COUNTY, INDIANA**

SUPPLEMENTAL AUDIT REPORT

JULY 1, 2021 TO JUNE 30, 2022



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**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
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**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
JEFFERSON COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	David Herring	07/01/21 - 06/30/22
Chief Administrator Officer	Rhonda Pennington	07/01/21 - 06/30/22
Chief Operations Officer	Kristi Allard	07/01/21 - 06/30/22



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Friends of Canaan, Inc.
dba: Canaan Community Academy
Canaan, Indiana

We have audited the financial statements of Friends of Canaan, Inc. dba: Canaan Community Academy (the School) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 27, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 27, 2023

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
JEFFERSON COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT DOCUMENTATION

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE). In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The School did not maintain consistent and complete enrollment records for one (1) students of the forty-one (40) students tested for enrollment.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 9).

**FRIENDS OF CANAAN, INC.
DBA: CANAAN COMMUNITY ACADEMY
JEFFERSON COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on March 27, 2023 with Rhonda Pennington (Chief Administrative Officer) and Kristi Allard (Chief Operations Officer). The Official Response has been made a part of this report and may be found on page 5.



8775 N. Canaan Main St. (P. O. Box 20) Canaan, IN 47224

812-839-0003

March 2023

To whom it may concern:

This letter is in response to the auditor finding below:

AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT DOCUMENTATION Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE). In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The School did not maintain consistent and complete enrollment records for one (1) student of the forty (40) students tested for enrollment. Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered. The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE).

Canaan Community Academy is making efforts to ensure that enrollment records are complete. Utilizing the online SIS, GradeLink, will help streamline this with the online enrollment process. Also, the nurse has been reviewing the files for accuracy and reaching out to families if something needs to be updated. The one student that the records were not complete has transferred to another school plus numerous efforts were made to get a copy of the birth certificate to complete the records.

Sincerely,

Rhonda Pennington
Chief Administrative Officer



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Community Montessori, Inc.

COMMUNITY MONTESSORI, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED JUNE 30, 2022 AND 2021



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**COMMUNITY MONTESSORI, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Montessori, Inc.
New Albany, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Community Montessori, Inc. (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, statements of functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Illinois Wesleyan School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Illinois Wesleyan School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

COMMUNITY MONTESSORI, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,120,361	\$ 3,740,248
Investments	1,064,902	1,126,687
Accounts Receivable, Net of Allowance	1,006,008	485,226
Prepaid Expenses	-	34,117
Total Current Assets	<u>6,191,271</u>	<u>5,386,278</u>
PROPERTY AND EQUIPMENT		
Land	150,296	150,296
Buildings and Improvements	12,931,307	12,810,447
Furniture and Equipment	169,195	94,421
Less: Accumulated Depreciation	<u>(4,449,840)</u>	<u>(4,119,784)</u>
Property and Equipment, Net	<u>8,800,958</u>	<u>8,935,380</u>
Total Assets	<u><u>\$ 14,992,229</u></u>	<u><u>\$ 14,321,658</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 285,926	\$ 277,227
Accounts Payable and Accrued Expenses	403,746	445,363
Deferred Revenue	<u>164,404</u>	<u>127,621</u>
Total Current Liabilities	854,076	850,211
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	4,475,648	4,751,467
Less: Unamortized Debt Issuance Costs	<u>(38,827)</u>	<u>(41,427)</u>
Total Long-Term Notes Payable, Net of Unamortized Debt Issuance Costs	<u>4,436,821</u>	<u>4,710,040</u>
Total Liabilities	5,290,897	5,560,251
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Without Donor Restrictions	9,699,617	8,759,692
With Donor Restrictions	<u>1,715</u>	<u>1,715</u>
Total Net Assets	<u>9,701,332</u>	<u>8,761,407</u>
Total Liabilities and Net Assets	<u><u>\$ 14,992,229</u></u>	<u><u>\$ 14,321,658</u></u>

See accompanying Notes to Financial Statements.

COMMUNITY MONTESSORI, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
State Education Support	\$ 3,819,883	\$ -	\$ 3,819,883	\$ 3,617,333	\$ -	\$ 3,617,333
Program Fees	224,787	-	224,787	480,291	-	480,291
Grant Revenue	1,403,853	-	1,403,853	968,186	-	968,186
Student Fees	151,536	-	151,536	101,830	-	101,830
Contributions	80,206	-	80,206	50,197	1,000	51,197
Fundraising	19,289	-	19,289	11,217	-	11,217
Investment Gain (Loss), Net	(56,851)	-	(56,851)	39,618	-	39,618
Interest Income	-	-	-	4,580	-	4,580
Gain on Extinguishment of Payroll Protection Program Loan	-	-	-	536,200	-	536,200
Other	22,230	-	22,230	9,779	-	9,779
Net Assets Released from Restrictions	-	-	-	31,676	(31,676)	-
Total Revenue and Support	5,664,933	-	5,664,933	5,850,907	(30,676)	5,820,231
EXPENSES						
Program Services	4,008,242	-	4,008,242	3,841,325	-	3,841,325
Management and General	689,935	-	689,935	623,613	-	623,613
Fundraising	26,831	-	26,831	16,855	-	16,855
Total Expenses	4,725,008	-	4,725,008	4,481,793	-	4,481,793
CHANGE IN NET ASSETS	939,925	-	939,925	1,369,114	(30,676)	1,338,438
Net Assets - Beginning of Year	8,759,692	1,715	8,761,407	7,390,578	32,391	7,422,969
NET ASSETS - END OF YEAR	<u>\$ 9,699,617</u>	<u>\$ 1,715</u>	<u>\$ 9,701,332</u>	<u>\$ 8,759,692</u>	<u>\$ 1,715</u>	<u>\$ 8,761,407</u>

See accompanying Notes to Financial Statements.

COMMUNITY MONTESSORI, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 2,345,360	\$ 364,775	\$ -	\$ 2,710,135	\$ 2,287,932	\$ 380,809	\$ -	\$ 2,668,741
Employee Benefits	528,579	67,772	-	596,351	461,977	63,733	-	525,710
Staff Development and Recruitment	62,797	-	-	62,797	33,860	-	-	33,860
Professional Services	188,936	26,264	-	215,200	136,069	17,622	-	153,691
Program Expenses	30,291	-	-	30,291	13,660	-	-	13,660
Authorizer Oversight Fees	-	-	-	-	-	91,514	-	91,514
Dues, Licenses, and Subscriptions	-	161,651	-	161,651	-	17,631	-	17,631
Advertising	-	1,598	-	1,598	-	50	-	50
Travel	-	3,204	-	3,204	-	2,621	-	2,621
Information Technology	53,085	-	-	53,085	168,547	-	-	168,547
Minor Equipment	-	-	-	-	9,335	-	-	9,335
Supplies	115,624	5,750	-	121,374	79,405	2,879	-	82,284
Occupancy	200,316	-	-	200,316	182,290	-	-	182,290
Depreciation	330,056	-	-	330,056	307,151	-	-	307,151
Interest	153,198	-	-	153,198	161,099	-	-	161,099
Insurance	-	38,435	-	38,435	-	33,870	-	33,870
Fundraising	-	-	26,831	26,831	-	-	16,855	16,855
Other	-	20,486	-	20,486	-	12,884	-	12,884
Total Functional Expenses	<u>\$ 4,008,242</u>	<u>\$ 689,935</u>	<u>\$ 26,831</u>	<u>\$ 4,725,008</u>	<u>\$ 3,841,325</u>	<u>\$ 623,613</u>	<u>\$ 16,855</u>	<u>\$ 4,481,793</u>

See accompanying Notes to Financial Statements.

COMMUNITY MONTESSORI, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 939,925	\$ 1,338,438
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	330,056	307,151
Amortization	2,600	2,602
(Gain) Loss on Investments, Net	56,851	(39,618)
Gain on Payroll Protection Program Loan Extinguishment	-	(536,200)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(520,782)	(474,954)
Prepaid Expenses	34,117	(995)
Accounts Payable and Accrued Expenses	(41,617)	69,606
Deferred Revenue	36,783	(24,532)
Net Cash Provided by Operating Activities	<u>837,933</u>	<u>641,498</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	4,934	-
Purchase of Property and Equipment	(195,634)	(20,480)
Construction in Process	-	(558,014)
Net Cash Used by Investing Activities	<u>(190,700)</u>	<u>(578,494)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayment of Notes Payable	<u>(267,120)</u>	<u>(268,778)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	380,113	(205,774)
Cash and Cash Equivalents - Beginning of Year	<u>3,740,248</u>	<u>3,946,022</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,120,361</u></u>	<u><u>\$ 3,740,248</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 150,598</u></u>	<u><u>\$ 158,497</u></u>

See accompanying Notes to Financial Statements.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Community Montessori, Inc. (the School) is a public benefit nonprofit 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 Ball State University. The School also provides an early childhood education program for children ages three and four on a fee basis. For 2021-2022 School year, the School served approximately 520 students in preschool through high school.

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 primarily come from conditional 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022 and 2021, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts received prior to the service is performed is reported as deferred revenues in the statement of financial position. As of June 30, 2022, 2021 and 2020, the School has \$164,404, \$127,621, and \$152,153, respectively, of deferred revenue from student fees.

Grant, Contribution, and Fundraising Revenue

The School receives income from grants, contributions, and fundraising that support certain school activities. Such revenue received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as Net Assets Released from Restrictions.

**COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Grants and Accounts Receivable

Grants receivable relate primarily to activities funded under 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 account is deemed necessary with regard to grant receivables. Accounts receivable relate primarily to program fees collected annually from the School's students. These accounts receivable are reviewed for collectability annually. As of June 30, 2022 and 2021, no allowance was deemed necessary relating to program fees.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statements of financial position. Unrealized gains and losses are included in the statement of activities and change in net assets. Investment income and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

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 \$5,000 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:

Buildings and Improvements	40 Years
Furniture and Equipment	3 to 7 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Deferred Revenue

Deferred revenue consists of early education program fee deposits and materials and supplies fee deposits received as part of the enrollment process for the subsequent academic School year.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs

Debt issuance costs include expenses incurred as part of the July 2016 refinancing of long-term debt. Amortization of the \$52,041 in debt issuance costs is provided on a straight-line basis over the 20-year term of the related notes payable. Accumulated amortization was \$13,214 and \$10,614 as of June 30, 2022 and 2021, respectively. As provided by ASU 2015- 03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income

The School has received a determination from the U.S. Internal Revenue Service (IRS) 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, 2022 and 2021, 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The School is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

The School evaluated subsequent events through March 30, 2023, 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.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 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 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 July through December time period, which represented amounts due for services rendered. Effective July 1, 2013, charter school funding is 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 2013 to December 2013 was suspended. This elimination of funding resulted in a nonoperating loss of \$1,477,941.

In the same session, the Indiana legislature appropriated funding from the Indiana general fund to repay Indiana Common School Fund loans and accrued interest outstanding as of June 30, 2013 on behalf of charter schools. The School applied for and received repayment of its indebtedness under these obligations as of June 30, 2013. The repayment of debt resulted in nonoperating income of \$861,897 comprised of the following:

Repayment of Common School Fund Loans	\$ 733,133
Repayment of Accrued Interest on Common School Fund Loans	128,764
Total	<u>\$ 861,897</u>

The School believes that it has been adversely affected by the legislative changes relating to the elimination of funding and is pursuing relief through its elected representatives and the Indiana Department of Education. The prospect for success is unknown as of June 30, 2022. The School continued to carry a receivable of \$1,477,941 relating to the funding reduction, offset by a collectability allowance in the same amount, through the year ended June 30, 2021.

NOTE 3 INVESTMENTS

The School held the following investments as of June 30:

	2022	2021
Mutual Funds:		
MFS Corporate Bond A	\$ 132,357	\$ 155,704
MFS Diversified Income A	143,770	160,372
MFS limited Maturity A	132,457	138,851
MFS Total Return Bond A	131,312	148,326
Certificate of Deposit	525,006	523,434
Total	<u>\$ 1,064,902</u>	<u>\$ 1,126,687</u>

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 FAIR VALUE MEASUREMENTS

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participants assumptions based on market data obtained from sources independent of the entity (observable inputs that are classified within Level 1 or 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 – quoted prices for identical assets or liabilities in active markets to which the School has access at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2022 and 2021.

Mutual Funds: Valued at the closing price, or net asset value, reported on the active market on which the individual securities are traded.

Certificates of Deposit: Valued at cost adjusted for amortization of premium and discount to the maturity date using the level-yield method, which approximates fair value.

Following is a description of the nature of the categories of mutual funds by major security type:

Fixed Income Funds: This asset class is generally comprised of investment options in bonds or debt of a company or governmental entity.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth by level, within the fair value hierarchy, the School's assets at fair value:

June 30, 2022				
	Total	Level 1	Level 2	Level 3
Mutual Funds:				
MFS Corporate Bond A	\$ 132,357	\$ 132,357	\$ -	\$ -
MFS Diversified Income A	143,770	143,770	-	-
MFS Limited Maturity A	132,457	132,457	-	-
MFS Total Return Bond A	131,312	131,312	-	-
Total Held at Fair Value	539,896	539,896	-	-
Certificates of Deposit	525,006	-	-	-
Total Investment	<u>\$ 1,064,902</u>	<u>\$ 539,896</u>	<u>\$ -</u>	<u>\$ -</u>

June 30, 2021				
	Total	Level 1	Level 2	Level 3
Mutual Funds:				
MFS Corporate Bond A	\$ 155,704	\$ 155,704	\$ -	\$ -
MFS Diversified Income A	160,372	160,372	-	-
MFS limited Maturity A	138,851	138,851	-	-
MFS Total Return Bond A	148,326	148,326	-	-
Total Held at Fair Value	603,253	603,253	-	-
Certificates of Deposit	523,434	-	-	-
Total Investment	<u>\$ 1,126,687</u>	<u>\$ 603,253</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 NOTES PAYABLE

Notes payable consisted of the following as of June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Note payable to German American Bancorp, payable \$33,498 monthly, including interest at 2.99% per annum, maturing in July 2036.	\$ 4,603,480	\$ 4,861,625
Note payable to German American Bancorp. payable \$2,108 monthly, including interest at 3.88% per annum, maturing in July 2036.	158,094	167,069
Total	4,761,574	5,028,694
Less: Current Portion	(285,926)	(277,227)
Long-Term Portion	<u>\$ 4,475,648</u>	<u>\$ 4,751,467</u>

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 NOTES PAYABLE (CONTINUED)

Principal maturities of German American Bancorp notes payable are scheduled as follows for the years ending June 30:

<u>Year Ending June 30.</u>	<u>Amount</u>
2023	\$ 285,926
2024	297,047
2025	306,238
2026	390,133
2027	302,508
Thereafter	3,179,722
Total	<u><u>\$ 4,761,574</u></u>

NOTE 6 DEBT EXTINGUISHMENT

In April 2020, the School received proceeds in the amount of \$536,200 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan was formally forgiven by the U.S. Small Business Administration (SBA) on November 2, 2020. Accordingly, the School recognized a gain on the extinguishment of debt of \$536,200 during the year ended June 30, 2021. This amount is included in the 2021 statement of activities as Gain on Extinguishment of Payroll Protection Program Loan.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent contributions that have been received but not expended for the identified purposes or have been donated for use in future periods. Net assets with donor restrictions were available for the following purposes as of June 30:

	<u>2022</u>	<u>2021</u>
Scholarships	<u><u>\$ 1,715</u></u>	<u><u>\$ 1,715</u></u>

During 2022 and 2021, net assets of -\$0- and \$31,676, respectively, were released from restriction by incurring expenses satisfying the restricted purposes or due to the passage of time.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 COMMITMENTS AND CONTINGENCIES

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. The charter remains in effect until June 30, 2022 and is renewable thereafter by mutual consent. Expense under this agreement was \$95,188 and \$91,514 for the years ended June 30, 2022 and 2021, respectively.

NOTE 9 RELATED PARTY TRANSACTIONS

The School purchased various supplies from a company whose owner is related to a management employee of the School. Total purchases for the years ended June 30, 2022 and 2021 were \$16,061 and \$13,310, respectively.

NOTE 10 LEASES

The School leases equipment under operating lease agreements that expire in 2027. Expense under these operating leases was \$3,390 and \$4,165 for the years ended June 30, 2022 and 2021, respectively.

A schedule of minimum lease obligations are as follows for the year ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 3,024
2024	3,024
2025	3,024
2026	3,024
2027	1,260
Total	<u>\$ 13,356</u>

NOTE 11 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF) which is part of a cost-sharing multiple-employer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2022 and 2021, the School contributed 5.5%, of compensation for eligible teaching personnel. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2021 (the latest year reported), TRF was approximately 95% funded.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 RETIREMENT PLANS (CONTINUED)

All nonteaching personnel are eligible to enroll in a defined contribution Section 403(b) plan. Teaching personnel can also opt to participate in the 403(b) plan in lieu of TRF. Under the 403(b) plan, the School will provide a 3%-6% match of an employee's contribution, depending on years of service. Retirement plan expense under all plans was \$50,106 and \$35,008 for the years ended June 30, 2022 and 2021, respectively.

NOTE 12 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Floyd and surrounding counties 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 grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the School.

The School primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance School (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, the School has not experienced losses in any of these accounts.

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including an increased demand for virtual learning options. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

COMMUNITY MONTESSORI, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 13 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash and cash equivalents, investments, and accounts receivable.

	<u>2022</u>	<u>2021</u>
Financial Assets	\$ 6,191,271	\$ 5,352,161
Less: Those Unavailable for General Expenditures		
Within One Year, Due to:		
Restrictions by Donor with Time or Purpose	<u>(1,715)</u>	<u>(1,715)</u>
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	<u>\$ 6,189,556</u>	<u>\$ 5,350,446</u>

The School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 14 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services, management and general, or fundraising according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**COMMUNITY MONTESSORI, INC.
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Community Montessori, Inc.

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*.



**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**

Board of Directors
Community Montessori, Inc.
New Albany, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Montessori, Inc. (the School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL
OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Community Montessori, Inc.
New Albany, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Montessori, Inc.'s (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the School as of and for the year ended June 30, 2022, and have issued our report thereon dated March 30, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

COMMUNITY MONTESSORI, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Education				
Passed through Indiana Department of Education:				
Title II-A FFY 2019	84.367	S367A200013	\$ -	\$ 8,719
Title II-A FFY 2020	84.367	S367A200013	-	9,294
Title II-A FFY 2021	84.367	S367A200013	-	9,780
Subtotal			-	27,793
Charter School Program: Quality Counts 6890	84.282	U282A210017	-	592,000
Charter Facilities Incentive Grant - Keys to Quality 6891	84.282	S282D19002	-	44,876
Subtotal			-	636,876
SPED Part B 619 FY22 6902	84.137	H173A210104	-	2,272
SPED Part B 611 FY22 6902	84.027	H027A190084	-	85,505
Total U.S. Department of Education			-	752,446
Federal Communications Commission				
Emergency Connectivity Funds	32.009	BEAR200202299-001	-	42,920
U.S. Department of Homeland Security				
Federal Emergency Management Agency 7945	97.048	FEMA-4515-DR-IN	-	19,781
Total Expenditures of Federal Awards			\$ -	\$ 815,147

See accompanying Notes to Schedule of Expenditures of Federal Awards.

COMMUNITY MONTESSORI, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Montessori, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of Community Montessori, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows Community Montessori, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule of expenditures of federal awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Community Montessori, Inc. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**COMMUNITY MONTESSORI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued:	Unmodified	
2. Internal control over financial reporting:		
• Material weakness(es) identified?	_____ yes	_____ ☒ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ ☒ none reported
3. Noncompliance material to financial statements noted?	_____ yes	_____ ☒ no

Federal Awards

1. Type of auditors' report issued:	Unmodified	
2. Internal control over major federal programs:		
• Material weakness(es) identified?	_____ yes	_____ ☒ no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ ☒ yes	_____ none reported
3. Type of auditors' report issued on compliance for major federal programs:	Unmodified	
4. Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	_____ ☒ yes	_____ no

Identification of Major Federal Programs

ALN Number(s)
84.282

Name of Federal Program or Cluster
Charter Schools

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualify as low-risk auditee?

_____ yes _____ ☒ no

COMMUNITY MONTESSORI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

***Section II – Findings Related to the Financial Statement Audit as Required to be Reported in
Accordance with Generally Accepted Government Auditing Standards***

Our audit did not disclose any matters that are required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2022 – 001: Procurement and Suspension and Debarment

Federal agency: U.S. Department of Education

Federal program title: Charter Schools

ALN Number: 84.282

Pass-Through Agency: Indiana Department of Education

Pass-Through Number(s): U282A210017, S282D190002

Award Period: July 1, 2021 through June 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Title 2, Subtitle A, Chapter 2 Part 200, Subpart D, section 200.318 of the Code of Federal Regulations requires Universities to have a written procurement policy that includes certain requirements as it relates to procuring good and services using federal dollars. Additionally, 2 CFR 180.995 requires that the University has a written policy where Universities should perform a check to ensure vendors are not debarred.

Condition: During our testing, it was noted that the School does not have a procurement and suspension and debarment policy in place that meets the federal requirements when acquiring goods with the federal funding. Also, it was noted during testing that the School did not verify that vendors utilized for federal program activities were not suspended or debarred.

Questioned costs: None

Context: The School did not have a formal, written policy that met the procurement, and suspension and debarment federal requirements.

Cause: The School was unaware of this federal requirement as this was the first federal compliance audit required.

Effect: Without written policies it is likely that required steps in the process may be missed.

Repeat finding: No

COMMUNITY MONTESSORI, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2022 – 001: Procurement and Suspension and Debarment (Continued)

Recommendation: We recommend that the School prepare and adopt a formal, written procurement and suspension and debarment policy that meets federal standards.

Views of responsible officials: There is no disagreement with the audit finding.



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**COMMUNITY MONTESSORI, INC.
FLOYD COUNTY, INDIANA**

SUPPLEMENTAL AUDIT REPORT

JULY 1, 2021 TO JUNE 30, 2022



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COMMUNITY MONTESSORI, INC.
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**COMMUNITY MONTESSORI, INC.
FLOYD COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	Melissa Merida	07/01/2021 – 06/30/2022
Executive Director	Barbara Burke Fondren	07/01/2021 – 06/30/2022
Administrative Finance	Melissa Cole	07/01/2021 – 06/30/2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Montessori, Inc.
New Albany, Indiana

We have audited the financial statements of Community Montessori, Inc. (the School) as of and for the year ended June 30, 2022 and have issued our report thereon dated March 30, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. The School did not have any findings related to the Indiana State Board of Accounts compliance guidelines.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

**COMMUNITY MONTESSORI, INC.
FLOYD COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

No findings noted for the period of July 1, 2021 to June 30, 2022.

**COMMUNITY MONTESSORI, INC.
FLOYD COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on March 30, 2023 with Barbara Burke Fondren, Executive Director, and Melissa Cole, Administrative Finance.

**COMMUNITY MONTESSORI, INC.
FLOYD COUNTY, INDIANA
OFFICIAL RESPONSE
JULY 1, 2021 TO JUNE 30, 2022**

No findings noted for the period of July 1, 2021 to June 30, 2022 that required an official response.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Discovery Charter School

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021



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**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Duneland Charter School, Inc.
dba: Discovery Charter School
Chesterton, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Duneland Charter School, Inc. dba: Discovery Charter School, which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duneland Charter School, Inc. dba: Discovery Charter School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Duneland Charter School, Inc. dba: Discovery Charter School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Duneland Charter School, Inc. dba: Discovery Charter School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Board of Directors
Duneland Charter School, Inc.
dba: Discovery Charter School

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Duneland Charter School, Inc. dba: Discovery Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Duneland Charter School, Inc. dba: Discovery Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Indianapolis, Indiana
February 17, 2023

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,020,868	\$ 997,533
Grants Receivable	42,058	189,458
Student Fees Receivable	3,784	8,582
Prepaid Expenses	32,557	69,643
Total Current Assets	<u>1,099,267</u>	<u>1,265,216</u>
PROPERTY AND EQUIPMENT		
Land	408,188	408,188
Buildings and Improvements	6,078,966	5,974,416
Furniture and Equipment	1,557,136	1,553,247
Textbooks	94,956	94,956
Less: Accumulated Depreciation	<u>(2,370,402)</u>	<u>(2,068,146)</u>
Property and Equipment, Net	5,768,844	5,962,661
OTHER ASSETS		
Cash and Equivalents - Restricted for Debt Service	644,556	616,656
Cash and Equivalents - Restricted for Prepaid Interest	5,815	5,795
Security Deposits	12,990	12,990
Total Other Assets	<u>663,361</u>	<u>635,441</u>
Total Assets	<u><u>\$ 7,531,472</u></u>	<u><u>\$ 7,863,318</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Debt	\$ 117,500	\$ 117,500
Accounts Payable and Accrued Expenses	276,706	287,257
Total Current Liabilities	<u>394,206</u>	<u>404,757</u>
LONG-TERM LIABILITIES		
Debt, Net of Current Portion	6,881,250	6,998,750
Less: Unamortized Debt Issuance Cost	(283,614)	(295,683)
Loan Payable Under Paycheck Protection Program	-	507,547
Total Long-Term Liabilities	<u>6,597,636</u>	<u>7,210,614</u>
Total Liabilities	6,991,842	7,615,371
NET ASSETS		
Without Donor Restrictions	<u>539,630</u>	<u>247,947</u>
Total Liabilities and Net Assets	<u><u>\$ 7,531,472</u></u>	<u><u>\$ 7,863,318</u></u>

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 3,505,583	\$ 3,056,948
Grant Revenue	1,293,150	1,284,991
Gain on Extinguishment of Paycheck Protection Program Loan	507,457	-
Student Fees	20,227	36,902
Contributions	100,000	55,995
Interest Income	273	1,310
Other Income	22,385	12,103
Total Revenue and Support	<u>5,449,075</u>	<u>4,448,249</u>
EXPENSES		
Program Services	3,863,480	3,208,801
Management and General	1,293,912	1,277,551
Total Expenses	<u>5,157,392</u>	<u>4,486,352</u>
CHANGE IN NET ASSETS	291,683	(38,103)
Net Assets - Beginning of Year	<u>247,947</u>	<u>286,050</u>
NET ASSETS - END OF YEAR	<u><u>\$ 539,630</u></u>	<u><u>\$ 247,947</u></u>

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 2,125,754	\$ 434,667	\$ 2,560,421	\$ 1,844,393	\$ 413,865	\$ 2,258,258
Employee Benefits	517,007	100,141	617,148	462,321	108,218	570,539
Staff Development	-	-	-	4,649	-	4,649
Professional Services	329,145	16,870	346,015	209,461	19,336	228,797
Repairs and Maintenance	-	-	-	67,674	-	67,674
Authorizer Oversight Fees	-	65,644	65,644	-	57,287	57,287
Academic Services	-	75,000	75,000	-	75,000	75,000
Food Services	189,016	-	189,016	97,735	-	97,735
Transportation Services	42,317	-	42,317	-	-	-
Travel	2,200	-	2,200	207	-	207
Equipment	-	-	-	12,545	7,544	20,089
Classroom, Kitchen, and Office Supplies	192,567	31,286	223,853	116,391	51,968	168,359
Occupancy	107,816	-	107,816	83,031	-	83,031
Information Technology	42,792	25,911	68,703	4,600	17,511	22,111
Depreciation	302,256	-	302,256	292,832	-	292,832
Interest	12,069	475,244	487,313	12,069	476,419	488,488
Insurance	-	41,820	41,820	-	29,541	29,541
Other	541	27,329	27,870	893	20,862	21,755
Total Expenses by Function	\$ 3,863,480	\$ 1,293,912	\$ 5,157,392	\$ 3,208,801	\$ 1,277,551	\$ 4,486,352

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 291,683	\$ (38,103)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	302,256	292,832
Amortization	12,069	12,069
Gain on Extinguishment of Paycheck Protection Program Loan	(507,547)	-
Changes in Operating Assets and Liabilities:		
Grants Receivable	147,400	(56,593)
Student Fees Receivable	4,798	-
Prepaid Expenses	37,086	(20,629)
Accounts Payable and Accrued Expenses	(10,551)	27,382
Net Cash Provided by Operating Activities	<u>277,194</u>	<u>216,958</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>(108,439)</u>	<u>(181,090)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	(117,500)	(117,500)
Proceeds from Loan Payable Under Payroll Protection Program	-	507,547
Net Cash Provided (Used) by Financing Activities	<u>(117,500)</u>	<u>390,047</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	51,255	425,915
Cash and Cash Equivalents and Restricted Cash - Beginning of Year	<u>1,619,984</u>	<u>1,194,069</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 1,671,239</u></u>	<u><u>\$ 1,619,984</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and Cash Equivalents	\$ 1,020,868	\$ 997,533
Cash and Equivalents - Restricted for Debt Service	644,556	616,656
Cash and Equivalents - Restricted for Prepaid Interest	5,815	5,795
Total	<u><u>\$ 1,671,239</u></u>	<u><u>\$ 1,619,984</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 475,244</u></u>	<u><u>\$ 476,419</u></u>

See accompanying Notes to Financial Statements.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Duneland Charter School, Inc. dba: Discovery Charter School (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 518 students in grades kindergarten through 12 and is sponsored by Ball State University.

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 primarily come from conditional 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022 and 2021, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Grant and Contribution Revenue

The School receives income from grants and contributions that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Cash and Cash Equivalents

Cash equivalents include money market funds and time deposits with maturities of three months or less at the date of purchase.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Grants 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. Student fees receivable relate to unpaid student fees from the 2021-2022 school year. The School believes that all balances will be collected.

Prepaid Expenses

Prepaid expenses relate primarily to insurance paid in advance by the School.

Security Deposits

Security deposits consist of required deposits made with the local utility companies.

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 \$1,000 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:

Buildings and Improvements	20 to 40 Years
Furniture and Equipment	3 to 7 Years
Textbooks	5 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Debt Issuance Costs

The School incurred costs totaling \$362,062 associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bond. Amortization is provided on a straight-line basis over the 30-year term of the bond. Accumulated amortization as of June 30, 2022 and 2021 was \$78,448 and \$66,379, respectively. Amortization expense was \$12,069 for both years ended June 30, 2022 and 2021. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

The School has received a determination from the U.S. Internal Revenue Service (IRS) 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, 2022 and 2021, 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The School is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

The School evaluated subsequent events through February 17, 2023, 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.

NOTE 2 RESTRICTED CASH

Cash and cash equivalents restricted for debt service is reserved solely for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements. Of the total balance, approximately \$600,000 is to be held until all bond debt is paid.

Cash and cash equivalents restricted for prepaid interest represents escrowed prepayments of interest due on the bond in future years.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 3 DEBT

Debt was comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Indiana Finance Authority Educational Facilities Revenue Bond, Series 2015A with an original amount of \$7,230,000. The principal amount was reduced by \$760,000 using financing from the state of Indiana. The loan principal is payable in annual installments that increase from \$155,000 to \$580,000 from December 2026 to December 2045. Interest payments are made semi-annually at a rate of 7.25% in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements.	\$ 6,470,000	\$ 6,470,000
Note payable to the Indiana Common School Fund with an original amount of \$1,175,000. The note requires semi-annual payments of \$58,750 plus interest at 1% per annum from January 2017 to July 2026.	<u>528,750</u>	<u>646,250</u>
Total	6,998,750	7,116,250
Less: Current Portion	<u>(117,500)</u>	<u>(117,500)</u>
Long-Term Portion	<u>\$ 6,881,250</u>	<u>\$ 6,998,750</u>

The Indiana Finance Authority Educational Facilities Revenue Bond agreement contains certain financial covenants pertaining to cash reserves and minimum debt service coverage. The School was in compliance with covenants for June 30, 2022 and 2021.

Principal maturities of debt are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 117,500
2024	117,500
2025	117,500
2026	117,500
2027	117,500
Thereafter	6,411,250
Total	<u>\$ 6,998,750</u>

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 DEBT EXTINGUISHMENT

In March 2021, the School received proceeds in the amount of \$507,547 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP loan was formally forgiven by the U.S. Small Business Administration (SBA) in March 2022. Accordingly, the School recognized a gain on the extinguishment of debt of \$507,547 during the year ended June 30, 2022. This amount is included in the 2022 statement of activities and change in net assets as gain on extinguishment of payroll protection program loan.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

NOTE 5 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For both years ended June 30, 2022 and 2021, the School contributed 5.5% of compensation for eligible teaching personnel to TRF and 11.2% for other employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

The School also maintains a Section 403(b) retirement plan. Employees may contribute up to 100% of their compensation provided they are at least 18 years of age and have at least 30 days of employment. There is no provision for an employer match.

Retirement plan expenses totaled \$129,832 and \$139,508 during the years ended June 30, 2022 and 2021, respectively.

NOTE 6 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 2% of state tuition support. Payments under this charter agreement were \$65,644 and \$57,587 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2027, and is renewable thereafter by mutual consent.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Porter and surrounding counties 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 grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability 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, 2022 and 2021, 92% and 96% of the receivable balance was due from the state of Indiana, respectively.

The School primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, the School has not experienced losses in any of these accounts.

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash, grants, and student fees receivable.

	2022	2021
Financial Assets	\$ 1,717,081	\$ 1,818,024
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Cash and Cash Equivalents Restricted for Debt Service	(644,556)	(616,656)
Cash and Cash Equivalents Restricted for Construction	(5,815)	(5,795)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,066,710</u>	<u>\$ 1,195,573</u>

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 LIQUIDITY (CONTINUED)

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 9 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Duneland Charter School, Inc.
dba: Discovery Charter 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*.



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SUPPLEMENTAL AUDIT REPORT

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL**

PORTER COUNTY, INDIANA

JULY 1, 2021 TO JUNE 30, 2022



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**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
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**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 – JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President	Lisa Gonzalez	07/01/21 – 06/30/22
Treasurer	Suzanne Radzik	07/01/21 – 06/30/22
Superintendent	Ernesto Martinez	07/01/21 – 06/30/22



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INDEPENDENT AUDITORS' SUPPLEMENTAL AUDIT REPORT

School Officials
Duneland Charter School, Inc.
dba: Discovery Charter School
Indianapolis, Indiana

We have audited the financial statements of Duneland Charter School, Inc. dba: Discovery Charter School (the School) as of and for the year ended June 30, 2022, and have issued our report thereon dated February 17, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. The School did not have any findings related to the Indiana State Board of Accounts compliance guidelines.

CliftonLarsonAllen LLP

Indianapolis, Indiana
February 17, 2023

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 – JUNE 30, 2022**

No findings noted.

**DUNELAND CHARTER SCHOOL, INC.
DBA: DISCOVERY CHARTER SCHOOL
PORTER COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 – JUNE 30, 2022**

The contents of this report were discussed with Ernesto Martinez, superintendent, Lisa Gonzalez, board president, and a representative from The Gabriele Group, outsourced accounting, on February 9, 2023.



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East Chicago Urban Enterprise Academy

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Chicago Urban Enterprise Academy, Inc.
East Chicago, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Chicago Urban Enterprise Academy, Inc. (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and is 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
December 5, 2023

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 831,928	\$ 200,260
Grants Receivable	409,050	508,882
Prepaid Expenses	<u>37,777</u>	<u>10,086</u>
Total Current Assets	1,278,755	719,228
PROPERTY AND EQUIPMENT		
Buildings and Improvements	2,408,538	2,408,538
Furniture and Equipment	796,797	617,173
Less: Accumulated Depreciation	<u>(1,518,404)</u>	<u>(1,331,117)</u>
Property and Equipment, Net	1,686,931	1,694,594
OTHER ASSETS		
Security Deposit	<u>63,698</u>	<u>8,531</u>
Total Assets	<u><u>\$ 3,029,384</u></u>	<u><u>\$ 2,422,353</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 107,098	\$ 102,930
Accounts Payable and Accrued Expenses	<u>369,346</u>	<u>439,934</u>
Total Current Liabilities	476,444	542,864
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	<u>325,476</u>	<u>433,593</u>
Total Liabilities	801,920	976,457
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2,227,464</u>	<u>1,445,896</u>
Total Liabilities and Net Assets	<u><u>\$ 3,029,384</u></u>	<u><u>\$ 2,422,353</u></u>

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 3,305,031	\$ 3,114,066
Grant Revenue	2,682,189	2,092,279
Student Fees	23,987	6,913
Contributions	7,656	49
Other Income	40,909	23,585
Total Revenue and Support	<u>6,059,772</u>	<u>5,236,892</u>
EXPENSES		
Program Services	4,321,676	3,639,953
Management and General	956,528	932,840
Total Expenses	<u>5,278,204</u>	<u>4,572,793</u>
CHANGE IN NET ASSETS	781,568	664,099
Net Assets - Beginning of Year, As Restated	<u>1,445,896</u>	<u>781,797</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,227,464</u></u>	<u><u>\$ 1,445,896</u></u>

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 2,192,759	\$ 211,236	\$ 2,403,995	\$ 1,484,602	\$ 201,555	\$ 1,686,157
Employee Benefits	621,369	61,787	683,156	444,242	57,570	501,812
Professional Services	95,277	24,515	119,792	79,752	11,400	91,152
Depreciation	206,205	-	206,205	157,955	-	157,955
Classroom, Kitchen, and Office Supplies	405,955	-	405,955	129,108	-	129,108
Food Costs	237,770	-	237,770	827,649	-	827,649
Insurance	-	29,397	29,397	-	23,893	23,893
Occupancy	369,868	-	369,868	356,610	-	356,610
Authorizer Oversight Fees	-	68,748	68,748	-	89,839	89,839
Management Services	-	520,002	520,002	-	519,811	519,811
Equipment	28,121	-	28,121	9,626	-	9,626
Property Rental and Maintenance	38,609	-	38,609	26,233	-	26,233
Interest	-	22,806	22,806	-	28,772	28,772
Advertising	-	18,037	18,037	-	-	-
Travel	13,587	-	13,587	-	-	-
Information Technology	75,266	-	75,266	111,575	-	111,575
Other	36,890	-	36,890	12,601	-	12,601
Total Functional Expenses	<u>\$ 4,321,676</u>	<u>\$ 956,528</u>	<u>\$ 5,278,204</u>	<u>\$ 3,639,953</u>	<u>\$ 932,840</u>	<u>\$ 4,572,793</u>

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 781,568	\$ 664,099
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	206,205	157,955
Changes in Operating Assets and Liabilities:		
Grants Receivable	99,832	(335,364)
Prepaid Expenses	(27,691)	(1,331)
Security Deposit	(55,167)	350
Accounts Payable and Accrued Expenses	(70,588)	113,585
(Gain) loss on sale of equipment	4,784	-
Net Cash Provided by Operating Activities	<u>938,943</u>	<u>599,294</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(203,326)	(247,696)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes Payable	<u>(103,949)</u>	<u>(168,891)</u>
NET CHANGE IN CASH	631,668	182,707
Cash - Beginning of Year	<u>200,260</u>	<u>17,553</u>
CASH - END OF YEAR	<u><u>\$ 831,928</u></u>	<u><u>\$ 200,260</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 26,736</u></u>	<u><u>\$ 28,772</u></u>

See accompanying Notes to Financial Statements.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

East Chicago Urban Enterprise Academy, Inc. (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 serving approximately 415 students in grades kindergarten through eighth and is sponsored by Ball State University.

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 primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2022 and 2021, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Cash

The School considers all demand accounts to be cash.

Grants Receivable and Revenue

Grants receivable and revenue relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Contributions, Grants, and Fees

The School receives income from contributions, student fees, and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

East Chicago Urban Enterprise Academy, Inc. has received a determination 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, 2022 and 2021, no accounting for federal and state income taxes was 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

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. 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:

<u>Asset Category</u>	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and Improvements:	\$25,000	5 to 40 Years
Furniture and Equipment:		
Individual Items:	\$5,000	3 to 7 Years
Aggregate of Similar or Identical Items on a Single Purchase Order:	\$12,500	3 to 7 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Subsequent Events

The School evaluated subsequent events through December 5, 2023, 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.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the School's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted.

NOTE 2 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Mortgage note payable in monthly installments of \$10,538 including interest at 4.75% through February 2022, thereafter payable in monthly installments of \$10,437 including interest at a variable rate based on One-Year Treasury Constant Maturity rate plus margin of 3.00%, adjustable annually, through March 2026, secured by a mortgage on School facilities and all School assets.	\$ 432,574	\$ 536,523
Total	432,574	536,523
Less: Current Portion	<u>(107,098)</u>	<u>(102,930)</u>
Long-Term Portion	<u>\$ 325,476</u>	<u>\$ 433,593</u>

Principal maturities of notes payable are as follows for the years ending June 30:

<u>Year Ending June 30.</u>	<u>Amount</u>
2023	\$ 107,098
2024	112,297
2025	117,749
2026	95,430
Total	<u>\$ 432,574</u>

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 LEASES

The School leases its building from a party related through a common board of directors, and modular classrooms and equipment from unrelated parties, all under operating leases. Total expense under these operating leases was \$280,063 and \$274,776 for the years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments for all operating leases with initial, noncancellable lease terms in excess of one year are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 75,840
2024	75,840
2025	75,840
2026	75,840
2027	12,640

NOTE 4 RETIREMENT PLANS

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Substantially all full-time employees are eligible to participate.

Contribution requirements of plan members are established by the INPRS Board. Under the plans, the School contributes 7.5% of compensation for teaching faculty to TRF and 11.2% of compensation for other employees of PERF. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

Retirement plan expense was \$117,270 and \$107,600 for the years ended June 30, 2022 and 2021, respectively.

NOTE 5 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$68,748 and \$89,839 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2026 and is renewable thereafter by mutual consent.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 COMMITMENTS (CONTINUED)

The School has contracted with The Leona Group, LLC to provide financial, management, administrative and educational programming services. Under the terms of the agreement, the School agrees to pay an amount equal to 10% of revenues, as defined, for such services. The contract will expire June 30, 2026. Payments under this agreement were \$523,581 and \$519,811 for the years ended June 30, 2022 and 2021, respectively.

NOTE 6 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Lake and surrounding counties 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 grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability 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, 2022, substantially all of the receivable balance was due from the state of Indiana. In addition, bank deposits are maintained primarily at Peoples Bank, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including an increase in nutrition and other grant funding. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 7 FUNCTIONAL EXPENSE REPORTING

The cost of providing educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation between these categories of expenses was required.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2022 and 2021 total \$1,240,978 and \$709,142, respectively, all of which are available to meet cash needs for general expenditures within one year.

While the School has \$1,240,978 and \$709,142 in financial assets available to meet cash needs for general expenditures within one year, it also has \$476,444 and \$542,864 in current liabilities as of June 30, 2022 and 2021, respectively, which must be paid using these available financial assets, future year state tuition support, or some combination of the two.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 9 RELATED PARTY

The School is related to the East Chicago Urban Enterprise Association, Inc. through common board members. The School paid off the remaining outstanding debt owed on the money borrowed from the Association during the year ended June 30, 2021.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
OTHER REPORT
JUNE 30, 2022

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

Supplemental Audit Report of
East Chicago Urban Enterprise Academy, Inc.

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*.



**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***

Board of Directors
East Chicago Urban Enterprise Academy, Inc.
East Chicago, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Chicago Urban Enterprise Academy (the School), which comprise the statement of financial position at June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 5, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

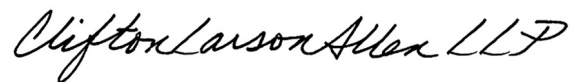
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
December 5, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
East Chicago Urban Enterprise Academy
East Chicago, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Chicago Urban Enterprise Academy's (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

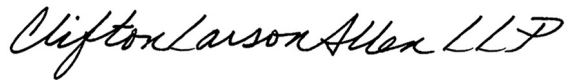
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
East Chicago Urban Enterprise Academy, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
December 5, 2023

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Passed- Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed-through Indiana Department of Education -				
Child Nutrition Cluster				
National School Breakfast Program	10.553	211970	\$ -	\$ 81,142
National School Lunch Program	10.555	211960	-	215,734
After School Snack	10.555	210900	-	2,149
Total Child Nutrition Cluster			-	299,025
Fresh Fruit and Vegetable Program	10.582	210950	-	13,844
Pandemic EBP Local Level Costs	10.649	210980	-	614
Total U.S. Department of Agriculture			-	313,483
Department of Education				
Passed-through Indiana Department of Education:				
Title I, Part A 1920	84.010	201530	-	16,763
Title I, Part A 2021	84.010	211530	-	353,536
Total Title I, Part A			-	370,299
Special Education Cluster:				
Special Education Grants to States	84.027	200450	-	82,843
Special Education Grants to States	84.027	210450	-	1,264
Total Special Education Cluster			-	84,107
Supporting Effective Instruction State Grants, Title II - Part A				
Title II, Part A 1920	84.367	200520	-	3,420
Title II, Part A 2021	84.367	210520	-	35,123
Total Title II, Part A			-	38,543

See accompanying Notes to Schedule of Expenditures of Federal Awards.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
JUNE 30, 2022

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Passed- Through to Subrecipients	Federal Expenditures
Department of Education (Continued)				
Passed-through Indiana Department of Education (Continued):				
Student Support & Academic Enrichment - Title IV				
Title IV 1920	84.424	200750	\$ -	\$ 1,960
Title IV 2021	84.424	210750	-	20,566
Title IV 2122	84.424	220750	-	6,529
Total Title IV			-	29,055
Education Stabilization Fund Program				
COVID-19 ESSER Formula Fund I	84.425D	203710	-	38,940
COVID-19 ESSER Formula Fund II	84.425D	213712	-	1,047,072
COVID-19 ESSER Formula Fund III	84.425D	213713	-	295,573
COVID-19 Governor's Emergency Education Relief Fund (GEER)	84.425C	201200	-	11,764
Total Education Stabilization Fund Program			-	1,393,349
Total Expenditures of Federal Awards			\$ -	\$ 2,228,836

See accompanying Notes to Schedule of Expenditures of Federal Awards.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of East Chicago Urban Enterprise Academy, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of East Chicago Urban Enterprise Academy, Inc. it is not intended to and does not present the financial position, changes in net assets, or cash flows of East Chicago Urban Enterprise Academy, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The School has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(es) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number
84.425

Name of Federal Program or Cluster
Education Stabilization Funds

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**SUPPLEMENTAL AUDIT REPORT
OF
EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
LAKE COUNTY, INDIANA
JULY 1, 2021 TO JUNE 30, 2022**



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EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
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**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
LAKE COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman of Board of Directors	John Artis	07/01/21 – 06/30/22
School Leader	Veronica Eskew	07/01/21 – 06/30/22
School Treasurer	Melinda Benkovsky	07/01/21 – 06/30/22



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Chicago Urban Enterprise Academy, Inc.
East Chicago, Indiana

We have audited the financial statements of East Chicago Urban Enterprise Academy, Inc., Inc. (the School) as of and for the year ended June 30, 2022 and have issued our report thereon dated December 5, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions

CliftonLarsonAllen LLP

Indianapolis, Indiana
December 5, 2023

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
LAKE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022

SUBMISSION AND ACCURACY OF REQUIRED REPORTS – 100R TESTING

For the year ended June 30, 2022, during our testing of the 100R, we noted that the filing for the December 31, 2021 100R report per the Indiana Gateway Website was not submitted until September 30, 2022 when it was due January 31, 2022.

Charter schools are required to file an annual report with the State Examiner not later than sixty (60) days after the close of each fiscal year, IC 5-11-1-4. "Every state, county, city, town, township, or school official ... shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents ... and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts ... The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7." (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 9)

**EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC.
LAKE COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on November 21, 2023, with Melinda Benkovsky, VP of Finance (Leona Group). The Official Response has been made a part of this report and may be found on page 5.



EAST CHICAGO URBAN ENTERPRISE ACADEMY

1402 E. Chicago Avenue | East Chicago, IN 46312 TEL: 219.392.3650 | FAX: 219.392.3652 ecuea.com

EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC. OFFICIAL RESPONSE TO AUDIT YEAR ENDED JUNE 30, 2022

East Chicago Urban Enterprise Academy, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2022.

Audit period: July 1, 2021 through June 30, 2022

SUBMISSION AND ACCURACY OF REQUIRED REPORTS – 100R TESTING

AUDIT RESULT

For the year ended June 30, 2022, during our testing of the 100R, we noted that the filing for the December 31, 2021 100R report per the Indiana Gateway Website was not submitted until September 30, 2022 when it was due January 31, 2022.

RESPONSE

Explanation of disagreement with audit report: There is no disagreement with the audit report.

Action planned/taken in response to finding: The turnover in management staff during the 2021 calendar year resulted in the omission of the reporting deadline reminder. Management has since incorporated procedures to ensure that all reporting deadlines are visible to all accounting staff. This will enable all pertinent information to be easily accessible and make certain that all required reports are submitted in a timely manner.

Name(s) of the contact person(s) responsible for corrective action: Melinda Benkovsky

Planned completion date for corrective action plan: January 31, 2023





EAST CHICAGO URBAN ENTERPRISE ACADEMY

1402 E. Chicago Avenue | East Chicago, IN 46312 TEL:
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EAST CHICAGO URBAN ENTERPRISE ACADEMY, INC. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS YEAR ENDED JUNE 30, 2022

U.S. Department of Agriculture

East Chicago Urban Enterprise Academy, Inc. respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2022.

Audit period: July 01, 2021 - June 30, 2022

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2021 – 001 Audit Adjustment

Condition: The board and management share the ultimate responsibility for the School's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced. A significant audit adjustment was proposed and posted through the audit process. This adjustment was a necessary step in ensuring the financial statements were fairly stated in accordance with accounting principles generally accepted in the United States of America.

Status: Corrective action was taken.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

There were no federal award program audit findings in the prior year.

If the U.S. Department of Agriculture has questions regarding this schedule, please call Melinda Benkovsky at (517)333-9030.



Geist Montessori Academy

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Montessori Academy at Geist, Inc.
and GMA Holding, LLC
McCordsville, Indiana

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Montessori Academy at Geist, Inc. and GMA Holding, LLC, (collectively, the School) which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-a-Matter Regarding Correction of an Error

As discussed in Note 2 to the consolidated financial statements, certain errors resulting in understatement of amounts previously reported for long-term liabilities as of June 30, 2021, were discovered by management of the entity during the current year. Accordingly, amounts reported for long-term liabilities, related revenue and expenses, and net assets have been restated in the 2021 consolidated financial statements now presented. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Montessori Academy at Geist, Inc.
and GMA Holding, LLC

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
July 11, 2023

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

	2022	(As Restated) 2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 246,226	\$ 559,403
Accounts Receivable:		
Grants	20,419	20,168
Other	19,439	19,439
Prepaid Expenses	10,121	18,099
Total Current Assets	<u>296,205</u>	<u>617,109</u>
PROPERTY AND EQUIPMENT		
Land	546,248	546,248
Building	6,526,561	6,526,560
Building Improvements	206,477	206,477
Furniture and Equipment	321,370	305,404
Textbooks	12,507	12,507
Less: Accumulated Depreciation	(849,600)	(660,135)
Property and Equipment, Net	<u>6,763,563</u>	<u>6,937,061</u>
OTHER ASSETS		
Interest Rate Swap	<u>5,295</u>	<u>-</u>
Total Assets	<u><u>\$ 7,065,063</u></u>	<u><u>\$ 7,554,170</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 369,051	\$ 362,301
Accounts Payable and Accrued Expenses	128,610	123,277
Total Current Liabilities	<u>497,661</u>	<u>485,578</u>
LONG-TERM LIABILITIES		
Paycheck Protection Program Loan	-	300,000
Interest Rate Swap	-	277,121
Notes Payable, Net of Current Portion	4,788,325	5,156,772
Less: Unamortized Debt Issuance Costs	(27,754)	(46,255)
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	<u>4,760,571</u>	<u>5,687,638</u>
Total Liabilities	5,258,232	6,173,216
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,806,831</u>	<u>1,380,954</u>
Total Liabilities and Net Assets	<u><u>\$ 7,065,063</u></u>	<u><u>\$ 7,554,170</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	(As Restated) 2021
REVENUE AND SUPPORT		
State Education Support	\$ 1,455,545	\$ 1,727,232
Grant Revenue	448,740	415,710
Student Fees	47,524	35,348
Contribution Income	4,115	2,805
Change in Value of Interest Rate Swap	282,416	(277,121)
Other Income	513,364	237,110
Total Revenue and Support	<u>2,751,704</u>	<u>2,141,084</u>
EXPENSES		
Program Services	1,500,260	1,514,932
Management and General	825,567	971,370
Total Expenses	<u>2,325,827</u>	<u>2,486,302</u>
CHANGE IN NET ASSETS	425,877	(345,218)
Net Assets - Beginning of Year	<u>1,380,954</u>	<u>1,726,172</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,806,831</u></u>	<u><u>\$ 1,380,954</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			2021 (As Restated)		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 904,397	\$ 232,324	\$ 1,136,721	\$ 945,403	\$ 292,031	\$ 1,237,434
Employee Benefits	150,266	40,100	190,366	136,931	52,317	189,248
Professional Services	177,299	81,572	258,871	225,076	93,959	319,035
Authorizer Oversight Fees	-	40,459	40,459	-	42,360	42,360
Food Costs	1,792	-	1,792	1,302	-	1,302
Property Rental and Equipment	47,438	-	47,438	43,483	-	43,483
Classroom, Kitchen, and Office Supplies	64,004	4,769	68,773	51,663	9,779	61,442
Occupancy	57,481	-	57,481	65,187	-	65,187
Depreciation	26,300	163,164	189,464	27,056	153,209	180,265
Insurance	-	10,565	10,565	-	45,545	45,545
Interest	-	240,263	240,263	-	269,300	269,300
Repairs and Maintenance	61,223	-	61,223	1,317	-	1,317
Information Technology	-	-	-	475	-	475
Advertising	-	1,080	1,080	-	-	-
Other	10,060	11,271	21,331	17,039	12,870	29,909
Total Functional Expenses	<u>\$ 1,500,260</u>	<u>\$ 825,567</u>	<u>\$ 2,325,827</u>	<u>\$ 1,514,932</u>	<u>\$ 971,370</u>	<u>\$ 2,486,302</u>

See accompanying Notes to Consolidated Financial Statements.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	2022	(As Restated) 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 425,877	\$ (345,218)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	189,464	180,265
Amortization	18,501	18,501
Change in Value of Interest Rate Swap	(282,416)	277,121
Forgiveness of Paycheck Protection Program Loan	(300,000)	-
Changes in Operating Assets and Liabilities:		
Grants Receivable	(251)	(7,048)
Due from/to Affiliated Entity	-	31,886
Prepaid Expenses	7,978	290
Accounts Payable and Accrued Expenses	5,333	(18,384)
Net Cash Provided by Operating Activities	<u>64,486</u>	<u>137,413</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(15,966)	(115,353)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments of Notes Payable	<u>(361,697)</u>	<u>(354,272)</u>
NET CHANGE IN CASH	(313,177)	(332,212)
Cash - Beginning of Year	<u>559,403</u>	<u>891,615</u>
CASH - END OF YEAR	<u><u>\$ 246,226</u></u>	<u><u>\$ 559,403</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 246,248</u></u>	<u><u>\$ 269,300</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Montessori Academy at Geist, Inc. (GMA) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. GMA operates a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University. During the 2021-2022 school year, GMA served approximately 220 students in grades preschool to eight by providing an alternative to the traditional public schools.

Effective December 26, 2018, GMA formed GMA Holding, LLC, a wholly owned subsidiary of the School. GMA Holding, LLC was established to own land and construct a school building for use by the School.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Montessori Academy at Geist, Inc. and GMA Holding, LLC, collectively referred to as the "School." All significant intercompany transactions and balances have been eliminated in consolidation.

Accounting Estimates

The preparation of consolidated 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 primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment, and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2022 and 2021, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Cash and Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investment with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable and Revenue

Grants receivable and revenue relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Other Accounts Receivable

Other accounts receivable relate to student fees. The School believes that all amounts are collectible, thus an allowance for doubtful accounts is not deemed necessary.

Contributions, Grants, and Fees

The School receives income from contributions, student fees, and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Debt Issuance Cost

During January 2019, GMA Holding, LLC entered into a construction loan agreement with First Financial Bank, with maximum borrowings of \$4,500,000. Total costs incurred to secure the financing were \$92,508. Amortization is provided on a straight-line basis over the term of the agreement (60 months). Accumulated amortization as of June 30, 2022 and 2021 was \$64,754 and \$46,253, respectively, and was included in construction in progress during the construction phase and interest expense thereafter. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income

Montessori Academy at Geist, Inc. has received a determination 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. GMA Holding, LLC is in the process of applying for the provision of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization. The School would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying consolidated financial statements.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income (Continued)

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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

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, and minor replacement costs 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:

Buildings	40 Years
Leasehold Improvements	9 to 12 Years
Furniture and Equipment	3 to 5 Years
Textbooks	3 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Corporation is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The School evaluated subsequent events through July 11, 2023, the date these consolidated financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the consolidated financial statements or related disclosures would be required.

Subsequent to year-end, the School received a settlement in the amount of \$395,000 for damages to the building.

NOTE 2 PRIOR PERIOD RESTATEMENT – CORRECTION OF AN ERROR

During the year ended June 30, 2022, the School determined it had been incorrectly accounting for an interest rate swap associated with the note payable to First Financial Bank as described in Note 4. Previously, the School had recorded payments for the interest expenses on the interest rate swap as payments on the outstanding principal balance and not recognizing the market value of the interest rate swap. The School did not include \$141,000 of interest expense and did not include the market value of the interest rate swap of (\$277,121) in liabilities for the year ended June 30, 2021.

The following consolidated statement of financial position line items for fiscal year 2021 were affected by the restatement:

	June 30, 2021		
	As Reported	Restatement	As Restated
Interest Rate Swap	\$ -	\$ 277,121	\$ 277,121
Notes Payable, Net of Current Portion	5,015,772	141,000	5,156,772
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	5,269,517	418,121	5,687,638
Total Liabilities	5,755,095	418,121	6,173,216
Net Assets Without Donor Restrictions	1,799,075	(418,121)	1,380,954

The following consolidated statement of activities and changes in net assets line items for fiscal year 2021 were affected by the restatement:

	June 30, 2021		
	As Reported	Restatement	As Restated
Change in Value of Interest Rate Swap	\$ -	\$ (277,121)	\$ (277,121)
Total Revenue and Support	2,418,205	(277,121)	2,141,084
Management and General	830,370	141,000	971,370
Total Expenses	2,345,302	141,000	2,486,302
Change in Net Assets	72,903	(418,121)	(345,218)
Net Assets - End of Year	1,799,075	(418,121)	1,380,954

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 PRIOR PERIOD RESTATEMENT – CORRECTION OF AN ERROR (CONTINUED)

The following consolidated statement of functional expense line items for fiscal year 2021 were affected by the restatement:

	June 30, 2021		
	As Reported	Restatement	As Restated
Interest	\$ 128,300	\$ 141,000	\$ 269,300
Total Management and General Expenses	830,370	141,000	971,370
Total Expenses	2,345,302	141,000	2,486,302

The following consolidated statement of cash flow line items for fiscal year 2021 were affected by the restatement:

	June 30, 2021		
	As Reported	Restatement	As Restated
Change in Net Assets	\$ 72,903	\$ (418,121)	\$ (345,218)
Change in Value of Interest Rate Swap	-	277,121	277,121
Net Cash Provided By Operating Activities	278,413	(141,000)	137,413
Principal Payments of Notes Payable	(495,272)	141,000	(354,272)
Net Cash Used By Financing Activities	(495,272)	141,000	(354,272)
Cash Paid for Interest	128,300	141,000	269,300

NOTE 3 PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the School received a loan from First Financial Bank in the amount of \$300,000 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over eighteen months, deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in November 2020, principal and interest payments were required through the maturity date in April 2022. As of July 26, 2021, the loan was fully forgiven and is included in other income in the consolidated statement of activities.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Corporation's financial position.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 4 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>(As Restated) 2021</u>
Note payable to First Financial bank, payable in \$11,136 monthly installments plus interest at 4.95% with balloon payment of \$3,950,027 due January 2024.	\$ 4,175,760	\$ 4,319,320
Note payable to State Board of Education, payable \$109,068 semi-annually (January 1 and July 1) plus interest at 1% per annum. Due July 2026.	<u>981,616</u>	<u>1,199,753</u>
Total	5,157,376	5,519,073
Less: Current Portion	<u>(369,051)</u>	<u>(362,301)</u>
Long-Term Portion	<u><u>\$ 4,788,325</u></u>	<u><u>\$ 5,156,772</u></u>

The note payable to the State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant.

In January 2019, GMA Holding, LLC entered into an agreement with First Financial Bank for a construction loan of \$4,500,000. Borrowings accrue interest at 2.00% above LIBOR (a total of 3.06% and 2.09% at June 30, 2022 and 2021, respectively). On February 1, 2020, the construction loan converted to a 48-month term note, using a 240-month amortization period. The loan is subject to certain covenants of which management believes it was in compliance at June 30, 2022.

Principal maturities of notes payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 369,051
2024	4,242,984
2025	218,137
2026	218,137
2027	109,067
Total	<u><u>\$ 5,157,376</u></u>

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 5 LEASES

The School leases certain items of office equipment under operating leases for terms from three to seven years with the leases expiring in 2023.

Future minimum lease obligations under noncancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	<u>\$ 1,169</u>

NOTE 6 INTEREST RATE SWAP

In February 2020, the GMA Holding LLC entered into an interest rate swap transaction with First Financial Bank. This is guaranteed by GMA. GMA Holding, LLC uses the interest rate swap to convert its variable rate debt to a fixed rate as a cash-flow hedge. GMA Holding, LLC is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, GMA Holding, LLC does not anticipate nonperformance by the counterparty.

The agreement that took effect on February 5, 2021 (in conjunction with the conversion of the construction loan to term) effectively changes GMA Holding, LLC's interest rate exposure on its floating rate note payable to 4.95%. This interest rate swap agreement matures on January 31, 2024. This agreement had a total notional principal in the amount of \$4,034,760 and \$4,178,320 at June 30, 2022 and 2021, respectively.

The effective portion of the gain or loss on the interest rate swap is reported as revenues and expenses in the consolidated statement of activities and change in net assets in the same period or periods during which the hedged transaction affects the consolidated statement of activities and change in net assets. Gains and losses on the interest rate swap representing either hedge ineffectiveness, or excluded from the assessment of hedge effectiveness, is recognized in the consolidated statement of activities and change in net assets as revenue and expenses.

NOTE 7 RETIREMENT PLAN

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF) which is a cost-sharing multiple-employer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2022 and 2021, the School contributed 5.5% of compensation for eligible teaching personnel. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2021 (the latest year reported), TRF was approximately 95% funded.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 7 RETIREMENT PLAN (CONTINUED)

Retirement benefits for School employees are provided under a Section 403(b) defined contribution retirement plan. Under the plan, the School matches 100% of each participant's contributions not to exceed 7% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the board of directors. No discretionary contributions were made in 2022 and 2021.

Retirement plan expense for the years ended June 30, 2022 and 2021 was \$44,781 and \$38,006, respectively.

NOTE 8 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was \$40,459 and \$42,360 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2027, and is renewable thereafter by mutual consent.

NOTE 9 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Hancock and surrounding counties 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 grants awarded under federal programs. 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 liability 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 and cash deposits. Cash deposits are maintained at First Financial Bank and are insured up to the Federal Deposit Insurance Corporation insurance limit. From time to time during the year the School's deposit accounts exceed this limit.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results. For the year ended June 30, 2021, the School operated with a hybrid learning model allowing students to enroll remotely and in person. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 10 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available to meet its cash needs for general expenditures within one year of the date of the consolidated statement of financial position. Financial assets for the School include cash, grants receivables, and other accounts receivables.

	2022	2021
Financial Assets	\$ 286,084	\$ 599,010
Less: Those Unavailable for General Expenditures Within One Year	-	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 286,084</u>	<u>\$ 599,010</u>

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 11 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the consolidated statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

SUPPLEMENTARY INFORMATION

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)**

	Montessori Academy at Geist, Inc.			GMA		
	School	Pre-K	Total	Holding, LLC	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash	\$ 69,945	\$ -	\$ 69,945	\$ 176,281	\$ -	\$ 246,226
Accounts Receivable:						
Grants	20,419	-	20,419	-	-	20,419
Other	19,439	-	19,439	-	-	19,439
Due from Affiliated Entity	2,826,410	136,879	2,963,289	-	(2,963,289)	-
Prepaid Expenses	10,121	-	10,121	-	-	10,121
Total Current Assets	2,946,334	136,879	3,083,213	176,281	(2,963,289)	296,205
PROPERTY AND EQUIPMENT						
Land	-	-	-	546,248	-	546,248
Building	-	-	-	6,526,561	-	6,526,561
Leasehold Improvements	206,477	-	206,477	-	-	206,477
Furniture and Equipment	321,370	-	321,370	-	-	321,370
Textbooks	12,507	-	12,507	-	-	12,507
Less: Accumulated Depreciation	(460,178)	-	(460,178)	(389,422)	-	(849,600)
Property and Equipment, Net	80,176	-	80,176	6,683,387	-	6,763,563
OTHER ASSETS						
Interest Rate Swap	-	-	-	5,295	-	5,295
Total Assets	<u>\$ 3,026,510</u>	<u>\$ 136,879</u>	<u>\$ 3,163,389</u>	<u>\$ 6,864,963</u>	<u>\$ (2,963,289)</u>	<u>\$ 7,065,063</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Portion of Notes Payable	\$ 218,137	\$ -	\$ 218,137	\$ 150,914	\$ -	\$ 369,051
Accounts Payable and Accrued Expenses	111,966	-	111,966	16,644	-	128,610
Construction Costs Payable	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-
Due to Affiliated Entity	136,879	-	136,879	2,826,410	(2,963,289)	-
Total Current Liabilities	466,982	-	466,982	2,993,968	(2,963,289)	497,661
LONG-TERM LIABILITIES						
Payroll Protection Program Loan	-	-	-	-	-	-
Interest Rate Swap	-	-	-	-	-	-
Notes Payable, Net of Current Portion	763,479	-	763,479	4,024,846	-	4,788,325
Less: Unamortized Debt Issuance Costs	-	-	-	(27,754)	-	(27,754)
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	763,479	-	763,479	3,997,092	-	4,760,571
Total Liabilities	1,230,461	-	1,230,461	6,991,060	(2,963,289)	5,258,232
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,796,049	136,879	1,932,928	(126,097)	-	1,806,831
Total Liabilities and Net Assets	<u>\$ 3,026,510</u>	<u>\$ 136,879</u>	<u>\$ 3,163,389</u>	<u>\$ 6,864,963</u>	<u>\$ (2,963,289)</u>	<u>\$ 7,065,063</u>

**MONTESSORI ACADEMY AT GEIST, INC.
AND GMA HOLDING, LLC
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)**

	Montessori Academy at Geist, Inc.			GMA		
	School	Pre-K	Total	Holding, LLC	Eliminations	Total
REVENUE AND SUPPORT						
State Education Support	\$ 1,455,545	\$ -	\$ 1,455,545	\$ -	\$ -	\$ 1,455,545
Grant Revenue	448,740	-	448,740	-	-	448,740
Student Fees	47,524	-	47,524	-	-	47,524
Contributions	4,115	-	4,115	-	-	4,115
Change in Value of Interest Rate Swap	-	-	-	282,416	-	282,416
Other Income	343,503	169,861	513,364	372,000	(372,000)	513,364
Total Revenue and Support	2,299,427	169,861	2,469,288	654,416	(372,000)	2,751,704
EXPENSES						
Program Services	1,795,024	77,236	1,872,260	-	(372,000)	1,500,260
Management and General	433,993	-	433,993	391,574	-	825,567
Total Expenses	2,229,017	77,236	2,306,253	391,574	(372,000)	2,325,827
CHANGE IN NET ASSETS	70,410	92,625	163,035	262,842	-	425,877
Net Assets - Beginning of Year (As Restated)	1,725,639	44,254	1,769,893	(388,939)	-	1,380,954
NET ASSETS - END OF YEAR	<u>\$ 1,796,049</u>	<u>\$ 136,879</u>	<u>\$ 1,932,928</u>	<u>\$ (126,097)</u>	<u>\$ -</u>	<u>\$ 1,806,831</u>

MONTESSORI ACADEMY AT GEIST, INC.
OTHER REPORT
JUNE 30, 2022

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

Supplemental Audit Report of Montessori Academy at Geist, Inc.

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*.

SUPPLEMENTAL AUDIT REPORT
MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
JULY 1, 2021 TO JUNE 30, 2022



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MONTESORI ACADEMY AT GEIST, INC.
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MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	Lacey Willard	07/01/2021 – 06/30/2022
Executive Director	Jennifer Gosch	07/01/2021 – 06/30/2022
Assistant Executive Director	Jamie Rahmany	07/01/2021 – 06/30/2022



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Montessori Academy at Geist, Inc.
McCordsville, Indiana

We have audited the consolidated financial statements of Montessori Academy at Geist, Inc. (the School) as of and for the year ended June 30, 2022, and have issued our report thereon dated July 11, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
July 11, 2023

MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022

AVERAGE DAILY MEMBERSHIP (ADM) TESTING – ENROLLMENT

Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. During our testing of ADM, we noted there were three (3) students out of 66 selections where the School did not maintain consistent and complete enrollment records.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil." An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1." IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) AND SIGNIFICANT AUDIT ADJUSTMENTS

Due to significant changes in governance and leadership of the School, parties involved in the building project had not retained all agreements related to the building project of the School, including agreements with the financial institution. The School also had significant changes in contacts at the financial institution, which also did not provide the necessary information and statements to ensure all activity was properly accounted for in the books of the School. As such, significant audit adjustments (including a restatement of the June 30, 2021 financial statements) were detected as a result of audit procedures related to properly recording of debt and interest rate swap (approximately \$284,000 for 2022 and approximately \$418,000 for 2021), and related revenue and expenses for those items. These accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around debt activity, interest rate swap valuation, and financial statement preparation are an important element of internal controls.

Indiana Code 20-24-7-1 provides that "... The state examiner shall establish guidelines and prescribe reporting requirements for organizers under this section that are consistent with generally accepted accounting principles (GAAP)..."

**MONTESSORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) AND SIGNIFICANT AUDIT ADJUSTMENTS (CONTINUED)

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records, and financial statements about incorrect decision making. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 10)

**MONTESORI ACADEMY AT GEIST, INC.
HANCOCK COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on June 15, 2023 with Jennifer Gosch (Executive Director), Jamie Rahmany (Assistant Executive Director), Beth Marsh (Outsourced Accountant) and Tina Spencer (Outsourced Accountant). The Official Response has been made a part of this report and may be found on page 6.



As we continue to work to improve systems of organization and processes and constantly seek opportunities to advance and improve our operations, we acknowledge that there will always be ways to better meet the requirements set forth by the State of Indiana and our charter authorizer. Our response to the findings is as follows:

ADM Testing

Three students from the ADM sample did not have the required documents for enrollment. To address this, our Registrar has, once again, completed an audit of all student files and we have implemented a two-part check of new enrollment files. All new enrollee files are checked twice before confirmation of enrollment is confirmed.

Parents of currently enrolled students with incomplete files have been contacted to provide the missing documentation within a designated time frame.

Montessori Academy at Geist, Inc. and GMA Holding, LLC

For the audit year ending June 30, 2021, First Financial Bank was unable to provide the proper reports to either the CPA or to outside bookkeeping company in order to properly record the interest expense and the market value of the interest rate swap agreement. Therefore, it was not known how the loan was set up and was recorded as a traditional loan. During the course of the current audit, the CPA was able to obtain the proper reports from First Financial Bank in order to properly account for the interest rate swap agreement. Because we are now receiving the proper documents from First Financial Bank we have procedures in place to accurately reflect the value of the interest rate swap agreement.

Jennifer Gosch, Executive Director, jgosch@gma.k12.in.us
Jamie Rahmany, Assistant Executive Director, jrahmany@gma.k12.in.us

HIM by HER Collegiate School for the Arts

HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND
PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021



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**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
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INDEPENDENT AUDITORS' REPORT

Board of Directors
HIM by HER Collegiate School for the Arts
Bloomington, Indiana

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of HIM by HER Collegiate School for the Arts, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the year ended June 30, 2022 and the period May 29, 2020 through June 30, 2021, and the related notes to the financial statements.

We do not express an opinion on the accompanying financial statements of HIM by HER Collegiate School for the Arts. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the financial statements.

Basis for Disclaimer of Opinion

We were unable to determine the financial statement impact of an organization related through common control because sufficient financial records of the related organization were not available. We were unable to determine the financial statement impact of a long-term lease agreement because sufficient financial records were not available. Accordingly, we were unable to apply auditing procedures sufficient to determine the extent to which the financial statements referred to above may have been affected by these conditions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HIM by HER Collegiate School for the Arts' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

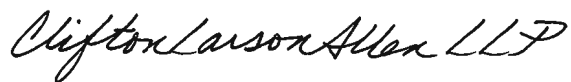
Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of HIM by HER Collegiate School for the Arts' financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditors' report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of HIM by HER Collegiate School for the Arts and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

Emphasis of Matter Regarding School Closure

As discussed in Note 10, subsequent to the year ended June 30, 2022, the School's Board of Directors voted to cease operations of the School effective January 20, 2023. There is no assurance that the school will be able to meet its financial obligations. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
April 17, 2023

HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 42,852	\$ 197,089
Grants Receivable	42,765	-
Total Current Assets	<u>85,617</u>	<u>197,089</u>
PROPERTY AND EQUIPMENT		
Furniture and Equipment	175,977	175,977
Textbooks and Curriculum	63,842	63,842
Leasehold Improvements	231,206	231,206
Less: Accumulated Depreciation	<u>(236,217)</u>	<u>(111,621)</u>
Property and Equipment, Net	234,808	359,404
OTHER ASSETS		
Security Deposit	<u>50,000</u>	<u>50,000</u>
Total Assets	<u><u>\$ 370,425</u></u>	<u><u>\$ 606,493</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 15,931	\$ 771
Accrued Expenses	81,801	22,695
Line of Credit	55,000	-
Capital Lease	9,758	11,035
Due to Landlord	2,103,968	1,152,572
Due to Indiana Department of Education	<u>-</u>	<u>139,054</u>
Total Current Liabilities	2,266,458	1,326,127
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS	<u>(1,896,033)</u>	<u>(719,634)</u>
Total Liabilities and Net Assets (Deficit)	<u><u>\$ 370,425</u></u>	<u><u>\$ 606,493</u></u>

See accompanying Notes to Financial Statements.

HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 1,413,997	\$ 629,817
Grant Revenue	854,508	272,718
Contributions	476	3,395
Other Income	-	200
Total Revenue and Support	<u>2,268,981</u>	<u>906,130</u>
EXPENSES		
Program Services	2,518,625	983,483
Management and General	926,755	642,281
Total Expenses	<u>3,445,380</u>	<u>1,625,764</u>
CHANGE IN NET ASSETS (DEICIT)	(1,176,399)	(719,634)
Net Assets (Deficit) Without Donor Restrictions - Beginning of Period	<u>(719,634)</u>	<u>-</u>
NET ASSETS (DEFICIT) WITHOUT DONOR RESTRICTIONS - END OF PERIOD	<u><u>\$ (1,896,033)</u></u>	<u><u>\$ (719,634)</u></u>

See accompanying Notes to Financial Statements.

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021**

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 909,624	\$ 388,941	\$ 1,298,565	\$ 370,478	\$ 306,926	\$ 677,404
Payroll Taxes and Benefits	103,035	56,550	159,585	33,779	40,138	73,917
Staff Development	-	12,040	12,040	-	-	-
Professional Services	112,393	65,457	177,850	99,001	20,489	119,490
Repairs and Maintenance	41,401	-	41,401	14,411	-	14,411
Food Costs	-	120,222	120,222	-	91,015	91,015
Advertisement	37,621	-	37,621	53,937	-	53,937
Supplies	75,262	299	75,561	235,040	128	235,168
Occupancy	1,063,213	277,400	1,340,613	8,996	179,415	188,411
Depreciation	124,596	-	124,596	111,621	-	111,621
Interest	-	4,588	4,588	-	3,551	3,551
Insurance	36,184	-	36,184	47,522	-	47,522
Other	15,296	1,258	16,554	8,698	619	9,317
Total Functional Expenses	<u>\$ 2,518,625</u>	<u>\$ 926,755</u>	<u>\$ 3,445,380</u>	<u>\$ 983,483</u>	<u>\$ 642,281</u>	<u>\$ 1,625,764</u>

See accompanying Notes to Financial Statements.

HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,176,399)	\$ (719,634)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation	124,596	111,621
Changes in Operating Assets and Liabilities:		
Grants Receivable	(42,765)	-
Accounts Payable	15,160	771
Accrued Expenses	59,106	22,695
Deferred Rent Payable	-	-
Net Cash Used by Operating Activities	<u>(1,020,302)</u>	<u>(584,547)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(68,066)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit, Net	55,000	-
Payments on Capital Lease Activities	(1,277)	(4,035)
Proceeds from Landlord	951,396	714,683
Proceeds from Overpayment from Indiana Department of Education	-	139,054
Payments on Overpayment from Indiana Department of Education	(139,054)	-
Net Cash Provided by Financing Activities	<u>866,065</u>	<u>849,702</u>
NET CHANGE IN CASH	(154,237)	197,089
Cash - Beginning of Year	<u>197,089</u>	<u>-</u>
CASH - END OF YEAR	<u><u>\$ 42,852</u></u>	<u><u>\$ 197,089</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 4,588</u>	<u>\$ 3,551</u>
Property and Equipment Acquired Through Capital Lease	<u>\$ -</u>	<u>\$ 15,070</u>
Property and Equipment Acquired Through Related Party Debt	<u>\$ -</u>	<u>\$ 387,889</u>

See accompanying Notes to Financial Statements.

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

HIM by HER Collegiate School for the Arts (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates as a public charter school established under Indiana Code 20-24 serving approximately 160 students in grades kindergarten through six for the year ended June 30, 2022 and approximately 58 students in grades kindergarten through second for the period May 29, 2020 through June 30, 2021 and is sponsored by Ball State University.

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 primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. As of June 30, 2022 and 2021, the School did not have any conditional grants that had not been recognized as revenue in the statements of activities because conditions had not been met.

Revenue from student fees and other income is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts received prior to the service being performed are reported as deferred revenue in the statement of financial position. As of June 30, 2022 and 2021, the School did not have any such deferred revenue.

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The School receives income from contributions and grants that support certain School activities. Such revenue received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The School reports gifts of cash and other assets and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purposes' restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restriction. The School did not have any net assets with donor restrictions as of June 30, 2022 and 2021.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

Grants Receivable

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

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 \$500 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 5 Years
Textbooks and Curriculum	3 Years
Leasehold Improvements	5 to 8 Years

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

The School has been organized as a domestic nonprofit corporation in the State of Indiana 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, 2022 and 2021, 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2017 are open to audit for both federal and state purposes.

Accounting Pronouncements and Future Changes in Accounting Principle

In February 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This update increases the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. Management is evaluating the impact of this standard on the School.

Subsequent Events

The School evaluated subsequent events through April 17, 2023, 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.

In July 2022, the School secured additional grant funding in the amount of \$186,000. In December 2022, the school voted to close effective January 20, 2023.

NOTE 2 LINE OF CREDIT

On May 10, 2022, the School entered into a credit agreement with a bank for a line of credit which permits borrowing up to \$200,000. Principal and interest payments are due monthly beginning in June 2022 with a variable interest rate (4.50% at June 30, 2022) and shall remain in effect until such a time as all of the School's borrowings on the agreement are paid in full or until such a time as the parties may agree in writing to terminate the agreement. The line of credit is secured by any and all property owed at the time of the agreement and acquired after. As of June 30, 2022, the line of credit balance was \$55,000.

HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021

NOTE 3 DEBT

Amounts owed by the School consisted of the following as of June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Due to Landlord	\$ 2,103,968	\$ 1,152,572
Due to Indiana Department of Education	-	139,054
Total	2,103,968	1,291,626
Less: Current Portion	(2,103,968)	(1,291,626)
Long-Term Portion	<u>\$ -</u>	<u>\$ -</u>

Due to Landlord

The amount due to the Landlord for the School property includes initial set up operational costs funded by the landlord as well as rent not paid in accordance with the terms and condition of the agreement and subsequent amendments.

Due to Indiana Department of Education (IDOE)

During the period May 29, 2020 through June 30, 2021, the School had provided an estimated enrollment as part of the initial year of School operations for basic grant funding purposes. However, actual enrollment was significantly less resulting in a cumulative overpayment of \$139,054. Payments were withheld from future funding amounts received from IDOE during the year ended June 30, 2022 until the amount was fully recouped.

NOTE 4 LEASES

The School entered into a capital lease financing agreement during the period May 29, 2020 through June 30, 2021 for some printers. The original cost related to these assets was \$15,070. At June 30, 2022 and 2021, the accumulated depreciation related to these assets was \$2,763 and \$7,786, respectively.

Minimum future lease payments as of June 30, 2022 under the capital lease and the present value of the net minimum lease payments are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 5,490
2024	5,490
2025	5,490
2026	3,660
Total	20,130
Less: Amount Representing Interest	(10,372)
Total	<u>\$ 9,758</u>

HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021

NOTE 4 LEASES (CONTINUED)

The School leases its school facility under an agreement with a landlord. The agreement requires monthly rental payments based upon a percentage of the total value of the land and improvement costs, beginning the later of November 1, 2020 or 60 days after the School took possession of the property. This agreement was subsequently amended that delayed the first rental payment until July 1, 2021 with unpaid rent through that date added to the future purchase price of the facilities. The lease expires November 1, 2040. The lease requires the School to pay for certain repairs and maintenance, utilities, and other ongoing expenses required to maintain the facilities as well as a \$50,000 security deposit paid in monthly deposits of \$4,166 over the first 12 months of the lease. The lease agreement includes certain financial and non-financial covenants that the School has not met since the amendment in January 2021 and is in default as of June 30, 2022 and 2021.

NOTE 5 PAYCHECK PROTECTION PROGRAM

On February 22, 2021, the School received proceeds in the amount of \$90,645 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP loan was formally forgiven by the U.S. Small Business Administration (SBA) in May 2021. Accordingly, the School recognized a gain on the extinguishment of debt of \$90,645. This amount is included in the period May 29, 2021 through June 30, 2021 statement of activities and change in net assets (deficit) as part of grant revenues.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

NOTE 6 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. No payments have been made under this agreement. The charter remains in effect until June 30, 2025, and is renewable thereafter by mutual consent.

The School has contracted with Building Hope Services, LLC (Building Hope) to provide finance, business consulting, compliance, and other services. This contract is automatically renewed on a year-to-year basis commencing on the last day of the expiring contract unless written notice of intent to terminate or renegotiate is given by either party at least 30 days prior to expiration of the agreement. The School paid \$12,870 and \$7,476 to Building Hope during the year ended June 30, 2022 and the period May 29, 2020 through June 30, 2021, respectively.

HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021

NOTE 7 RISKS AND UNCERTAINTIES

The School provides education instruction services to families residing in Marion and surrounding counties 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 grants awarded under federal programs. 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 liability 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, 2022, substantially all of the receivable balance was due from the state of Indiana. In addition, deposits maintained at Old National Bank are insured up to the FDIC insurance limit of \$250,000. At times, funds held at this financial institution may have exceeded the FDIC insurance limit. To date, the School has not experienced losses in any of these accounts.

In March 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including a significant impact on initial enrollment and opening activities. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statements of financial position. The School's financial assets include cash and grants receivable of \$85,617 and \$197,089, respectively:

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022 AND
THE PERIOD MAY 29, 2020 THROUGH JUNE 30, 2021**

NOTE 9 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

NOTE 10 GOING CONCERN

While student enrollment increased during the year ended June 30, 2022 and saw further increase into the next fiscal year, cash flow struggles and significant operating costs continued to impact the School's financial position, which continued to carry significantly more liabilities than assets. While the School has approximately \$370,000 of financial assets as of June 30, 2022, the significant increase in student enrollment in September 2022 and extra funding received during COVID does not alleviate substantial doubt about the School's ability to continue as a going concern beyond 12 months of the date of the accompanying audit report.

Management's Response

The School's financial viability is based on more than student enrollment. We have been aware that with significant operating costs, delayed payments to vendors and creditors mounting, and the lack of cash available, the School can not continue to operate in this position. In December 2022, the board elected to close the school effective January 20, 2023 and continue with winding down the operations of the School.

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

The reports presented herein were prepared in addition to another official report prepared for HIM by HER Collegiate School for the Arts as listed below:

Supplemental Audit Report of HIM by HER Collegiate School for the Arts

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*.



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SUPPLEMENTAL AUDIT REPORT
HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY, INDIANA
MAY 29, 2020 TO JUNE 30, 2021
AND
JULY 1, 2021 TO JUNE 30, 2022



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**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY, INDIANA
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**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY, INDIANA
SCHEDULE OF OFFICIALS**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President and President/CEO	Harry Dunn	May 29, 2020 – June 30, 2022
Board Treasurer and Business Manager	Michelle Dunn	May 29, 2020 – June 30, 2022
School Leader	Sondra Towne	May 29, 2020 – June 30, 2022



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INDEPENDENT AUDITORS' SUPPLEMENTAL AUDIT REPORT

School Officials
HIM by HER Collegiate School for the Arts
Indianapolis, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of HIM by HER Collegiate School for the Arts (the School), as of and for the year ended June 30, 2022 and for the period May 29, 2020 through June 30, 2021, and have issued our report thereon dated April 17, 2023. As part of our audit, we tested the School's compliance with provisions of the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
April 17, 2023

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

**PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY
ACCEPTED ACCOUNTING PRINCIPLES (GAAP) AND SIGNIFICANT AUDIT
ADJUSTMENTS**

For the year ended June 30, 2022 and the period May 29, 2020 through June 30, 2021, numerous audit adjustments were detected as a result of audit procedures.

For the year ended June 30, 2022, entries relating to opening net deficit balance, property and equipment depreciation, grants receivable, accrued payroll, debt activity, and client mispostings included six (6) entries that impacted the net deficit by approximately \$520,000 of additional deficit.

For the period May 29, 2020 through June 30, 2021, entries relating to opening net assets balance, property and equipment additions, property and equipment depreciation, accrued payroll, debt activity, and client mispostings included eleven (11) entries that impacted the net deficit by approximately \$412,000.

As a result, these accounts were materially misstated for each period presented and are considered a material weakness in internal controls for both periods presented. Proper procedures around property and equipment activity, debt activity, cut-off for accruals, and financial statement preparation are an important element of internal controls and preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

Indiana Code 20-24-7-1 requires each charter school to report on the GAAP basis of accounting, which requires internal controls to be established by the school to ensure accurate financial reporting.

INTERNAL CONTROL OVER FINANCIAL REPORTING – DOCUMENTATION RETENTION

For the year ended June 30, 2022 and the period May 29, 2020 through June 30, 2021, there were numerous transaction cycles and internal control reviews and approvals that were not retained and provided for our testing purposes.

For the year ended June 30, 2022 and the period May 29, 2020 through June 30, 2021, we noted there was no documentation retained for review and approval of bank account reconciliations, property and equipment listings, and payroll registers.

As a result, many of these transaction cycles required adjustments for presentation in the financial statements in accordance with GAAP. Proper procedures (including documentation retention, review and approvals) around property and equipment activity, debt activity, cut-off for accruals, and financial statement preparation are an important element of internal controls.

Indiana Code 20-24-7-1 requires each charter school to report on the GAAP basis of accounting, which requires internal controls to be established by the school to ensure accurate financial reporting.

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

PROPER BONDING TESTING

For the period May 29, 2020 through June 30, 2021, during our testing of insurance policies, we noted that information regarding insurance coverages and plan for the year ended June 30, 2021 was not provided to complete testing to verify proper bonding during this period.

The organizer shall designate employees who are responsible for handling a majority of the cash, receipts and disbursements for the school. The designated employees must either have a cash bond or an insurance policy on their behalf that protects the charter school from employee theft, fraud, errors, and omissions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 8)

SUBMISSION AND ACCURACY OF REQUIRED REPORTS – FORM 9 TESTING

For the year ended June 30, 2022 and the period May 29, 2020 through June 30, 2021, there were numerous required reports that were inaccurate and/or untimely filed as was detected as a result of audit procedures.

For the year ended June 30, 2022, during our testing of the Form 9 filings, we noted the following differences to underlying school records as follows:

07/01/2021 Beginning Balance per Form 9 - \$353,584.29
07/01/2021 Beginning Balance per general ledger - \$197,088.84
07/01/2021 Beginning Balance difference - \$156,495.45

12/31/2021 Ending Balance per Form 9 - \$543,067.07
12/31/2021 Ending Balance per general ledger - \$367,318.61
12/31/2021 Ending Balance difference - \$175,748.46

01/01/2022 Beginning Balance per Form 9 - \$543,067.07
01/01/2022 Beginning Balance per general ledger - \$367,318.61
01/01/2022 Beginning Balance difference - \$175,748.46

Also, during our testing of the Form 9 filings, we were unable to complete the following testing as supporting documentation was not provided:

- 1) Tracing fund balance report activity by fund to the Form 9 as that report was not provided and school records in the general ledger do not utilize funds.
- 2) Timely filing for the December 31, 2021 Form 9 as certifications were not provided.

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

**SUBMISSION AND ACCURACY OF REQUIRED REPORTS – FORM 9 TESTING
(CONTINUED)**

For the period May 29, 2020 through June 30, 2021, during our testing of the Form 9 filings, we noted the following differences to underlying school records as follows:

12/31/2020 Ending Balance per Form 9 - \$246,831.58
12/31/2020 Ending Balance per general ledger - \$166,177.67
12/31/2020 Ending Balance difference - \$80,653.91

01/01/2021 Beginning Balance per Form 9 - \$246,831.58
01/01/2021 Beginning Balance per general ledger - \$166,177.67
01/01/2021 Beginning Balance difference - \$80,653.91

06/30/2021 Ending Balance per Form 9 - \$353,584.29
06/30/2021 Ending Balance per general ledger - \$197,088.84
06/30/2021 Ending Balance difference - \$156,495.45

Also, during our testing of the Form 9 filings, we were unable to complete the following testing as supporting documentation was not provided:

- 1) Tracing fund balance report activity by fund to the Form 9 as that report was not provided and school records in the general ledger do not utilize funds.

Charter schools are required to submit a Form 9 Biannual Financial Report two times per year during the months of January and July. The financial information in the Form 9 shall reflect cash basis information and shall be reported utilizing the State Board of Accounts prescribed chart of accounts. The January report must include previous calendar year financial and other required information for the period of July 1 to December 31 financial data. The July report must include current calendar year financial and other required information for the period of January 1 to June 30. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 9)

SUBMISSION AND ACCURACY OF REQUIRED REPORTS – 100R TESTING

For the period May 29, 2020 through June 30, 2021, during our testing of the 100R, we were unable to determine timely filing for the December 31, 2021 100R report as the filing per the Indiana Gateway Website show that it had not been filed and no supporting documentation was provided.

Charter schools are required to file an annual report with the State Examiner not later than sixty (60) days after the close of each fiscal year, IC 5-11-1-4. "Every state, county, city, town, township, or school official ... shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents ... and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts ... The certification must be filed electronically in the manner prescribed under IC 5-14-3.8-7." (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 9)

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

AVERAGE DAILY MEMBERSHIP (ADM) – ENROLLMENT AND ATTENDANCE TESTING

For the year ended June 30, 2022, during our testing of individual students for ADM, we noted the following items for each count date as follows:

Fall 2021 (total students tested 33):

We were unable to complete enrollment and attendance testing for five (5) students as none of the students had student files and attendance records provided.

We noted that seventeen (17) students tested had inconsistent enrollment files as items were missing compared to the School's enrollment policy (birth certificates, immunization records, proof of residency). Of these same students, we noted that two (2) students tested for enrollment did not have attendance records provided to complete attendance testing and two (2) students tested for enrollment had significant absences during the semester that would not constitute attending.

We noted that one (1) student tested for enrollment had significant absences during the semester that would not constitute attending.

A total of three (3) students had significant absences or missing attendance records.

Spring 2022 (total students tested 35):

We were unable to complete enrollment and attendance testing for four (4) students as none of the students had student files and attendance records provided.

We noted that eleven (11) students tested had inconsistent enrollment files as items were missing compared to the School's enrollment policy (birth certificates, immunization records, proof of residency). Of these same students, we noted that four (4) students had significant absences during the semester that would not constitute attending.

We noted that six (6) students tested for enrollment had significant absences during the semester that would not constitute attending.

A total of ten (10) students had significant absences or missing attendance records.

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

**AVERAGE DAILY MEMBERSHIP (ADM) – ENROLLMENT AND ATTENDANCE TESTING
(CONTINUED)**

For the period May 29, 2020 through June 30, 2021, during our testing of individual students for ADM, we noted the following items for each count date as follows:

Fall 2020 (total students tested twelve (12):

We were unable to complete enrollment and attendance testing as none of the twelve (12) students selected had student files and attendance records provided.

Spring 2021 (total students tested 11):

We were unable to complete enrollment and attendance testing for nine (9) students selected as no student files and attendance records were provided.

We were unable to complete attendance testing for one (1) student selected as the student attendance records were not provided. This same student was missing immunization records as required by the School's enrollment policy.

For the year ended June 30, 2022, during our testing of ADM certifications for Fall 2021 and Spring 2022, we were unable to determine completeness of student listing and timely submission as the filing certifications were not provided.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.), which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20-43-4-1". IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

CAPITAL ASSET ADDITIONS TESTING

For the year ended June 30, 2022, during our testing of capital assets, we noted no physical inventory has been completed and the capital asset listing was incomplete and required additional adjustments.

For the period May 29, 2020 through June 30, 2021, during our testing of asset additions, we noted that information was not provided to complete testing on two (2) of the six (6) items selected. Also, we noted that information three (3) of the four (4) items tested did not have the asset invoices in the name of the School. Two (2) items were in the name of the HBH Foundation and one (1) of the items noted "TBD" on the invoice. Also, we noted no physical inventory has been completed and the capital asset listing was incomplete and required additional adjustments.

Every charter school must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every charter school must have a complete detail listing of all capital assets owned which reflects their acquisition value. A complete physical inventory must be taken at least every two (2) years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 15)

RECEIPTS AND DEPOSITS TESTING

For the year ended June 30, 2022, during our testing of general receipts, we noted that the School was not issuing receipts at the time of a transaction when cash or check was received. This was applicable for six (6) of the sixty (60) items selected for testing. Also, we noted that information was not provided to complete testing on two (2) of the sixty (60) items selected.

For the period May 29, 2020 through June 30, 2021, during our testing of general receipts, we noted that the School was not issuing receipts at the time of a transaction when cash or check was received. This was applicable for seven (7) of the thirty-seven (37) items selected for testing. Also, we noted that information was not provided to complete testing on four (4) of the thirty seven (37) items selected.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. All charter school money must be deposited in the designated depository not later than the business day following the receipt of funds on business days of the depository in the same form in which the funds were received. Timely receipts and deposits are required to provide the organizer and charter school administration with current information necessary for all financial decisions. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools Manual, Part 8)

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY
AUDIT RESULTS AND COMMENTS**

VENDOR DISBURSEMENTS TESTING

For the year ended June 30, 2022, During our testing of general disbursements we noted that six (6) disbursements of our sample of 60 included payments of late fees totaling \$767.64.

For the period May 29, 2020 through June 30, 2021, during our testing of general disbursements we noted that two (2) disbursements of our sample of 60 included payments of late fees totaling \$131.96. Also, we noted that nine (9) disbursements of our sample of 60 included payments of sales tax totaling \$1,788.52.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. If sales tax is paid erroneously, a refund application may be obtained from the Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

PAYROLL TESTING

For the year ended June 30, 2022, during our testing of payroll disbursements we noted that eleven (11) disbursements of our sample of twenty-five (25) included six (6) payments made to individuals that was different than their contract and five (5) individuals that did not have contracts for employment (specifically management).

For the period May 29, 2020 through June 30, 2021, during our testing of payroll disbursements, we noted that twelve (12) of the sixteen (16) individuals selected contracts were not provided to complete the testing, eight (8) individuals selected W2s were not provided to complete the testing, and the payroll register detail for calendar year 2020 was not provided to complete the testing.

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

**HIM BY HER COLLEGIATE SCHOOL FOR THE ARTS
MARION COUNTY
EXIT CONFERENCE**

The contents of this report were provided to Harry Dunn (Board President and President/CEO) and Michelle Dunn (Board Treasurer and Business Manager) on March 31, 2023 and subsequently approved by Harry Dunn on April 2, 2023.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

Hoosier College and Career Academy

HOOSIER ACADEMY, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED JUNE 30, 2022 AND 2021



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**HOOSIER ACADEMY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Hoosier Academy, Inc.
Indianapolis, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hoosier Academy, Inc. (the School), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 29, 2023

HOOSIER ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 968,834	\$ 758,730
Accounts Receivable:		
Grants	557,920	489,367
Prepaid Expenses	<u>9,251</u>	<u>5,089</u>
Total Current Assets	1,536,005	1,253,186
PROPERTY AND EQUIPMENT		
Leasehold Improvements	-	777,312
Furniture and Equipment	29,051	1,004,268
Less: Accumulated Depreciation	<u>(29,051)</u>	<u>(1,669,979)</u>
Property and Equipment, Net	<u>-</u>	<u>111,601</u>
 Total Assets	 <u><u>\$ 1,536,005</u></u>	 <u><u>\$ 1,364,787</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses:		
K12 Classroom, LLC	\$ 1,148,657	\$ 822,278
Other	387,348	386,600
Refundable Advance	<u>-</u>	<u>155,909</u>
Total Current Liabilities	1,536,005	1,364,787
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>-</u>	<u>-</u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,536,005</u></u>	 <u><u>\$ 1,364,787</u></u>

See accompanying Notes to Financial Statements.

HOOSIER ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 4,351,509	\$ 4,910,492
Grant Revenue	1,087,634	923,148
Other	1,178	456
Total Revenue and Support	<u>5,440,321</u>	<u>5,834,096</u>
EXPENSES		
Program Services	4,966,763	5,011,750
Management and General	473,558	822,346
Total Expenses	<u>5,440,321</u>	<u>5,834,096</u>
CHANGE IN NET ASSETS	-	-
Net Assets - Beginning of Year	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

HOOSIER ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 2,265,583	\$ 3,156	\$ 2,268,739	\$ 2,866,586	\$ 64,058	\$ 2,930,644
Employee Benefits	547,467	653	548,120	552,943	8,915	561,858
Staff Development and Recruitment	13,251	-	13,251	18,459	-	18,459
Professional Services	196,620	223,693	420,313	162,647	425,452	588,099
Management Services	-	3,550	3,550	-	38,000	38,000
Food Costs	2,539	-	2,539	4,861	-	4,861
Authorizer Oversight Fees	-	120,581	120,581	-	129,595	129,595
Equipment Rental and Maintenance	22,581	-	22,581	56,671	-	56,671
Classroom and Office Supplies and Fees	1,637,903	14,937	1,652,840	1,003,955	26,050	1,030,005
Occupancy	97,547	-	97,547	211,831	-	211,831
Depreciation	-	-	-	55,801	-	55,801
Loss on Disposal of Property and Equipment	111,601	-	111,601	-	-	-
Other	71,671	106,988	178,659	77,996	130,276	208,272
Total Functional Expenses	<u>\$ 4,966,763</u>	<u>\$ 473,558</u>	<u>\$ 5,440,321</u>	<u>\$ 5,011,750</u>	<u>\$ 822,346</u>	<u>\$ 5,834,096</u>

See accompanying Notes to Financial Statements.

HOOSIER ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ -	\$ -
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	-	55,801
Loss on Disposal of Property and Equipment	111,601	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(68,553)	(328,314)
Prepaid Expenses	(4,162)	51,090
Accounts Payable and Accrued Expenses	327,127	42,603
Refundable Advances	(155,909)	70,957
Net Cash Provided (Used) by Operating Activities	<u>210,104</u>	<u>(107,863)</u>
Cash - Beginning of Year	<u>758,730</u>	<u>866,593</u>
CASH - END OF YEAR	<u><u>\$ 968,834</u></u>	<u><u>\$ 758,730</u></u>

See accompanying Notes to Financial Statements.

HOOSIER ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Hoosier Academy, Inc. (Hoosier Academy) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana, and is the organizer and governing body of two charter schools located in Indianapolis, Indiana:

- *Hoosier Academies Indianapolis* is a blended learning program serving students in grades K-12.
- *Insight School of Indiana* is a fully virtual or online program serving students in grades 7-12 who have struggled in their education.

Hoosier Academies Indianapolis ceased operations as a charter school effective August 1, 2021. Enrollment during the 2021-2022 school year ranged between approximately 460 and 722 students in for the fall and spring semesters, respectively. Each of the schools is a public charter school established under Indiana Code 20-24 and is sponsored by Ball State University.

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 primarily come from conditional resources provided under the Indiana Charter Schools Act. Under the Act, Hoosier Academy receives an amount per student similar to the funding received by other public schools in Indiana. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of Hoosier Academy's revenue is the product of cost reimbursement grants. Therefore, Hoosier Academy recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022 and 2021 and 2020, Hoosier Academy has -\$0- and \$155,909, and \$84,952, respectively, of conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Grants Revenue

Hoosier Academy receives income from grants and contributions that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions. There were no such restricted revenues during the years ended June 30, 2022 and 2021.

HOOSIER ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

Accounts Receivable

Accounts receivable relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana. Hoosier Academy believes it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

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 \$1,000 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:

Leasehold Improvements	12 to 15 Years
Furniture and Equipment	2 to 5 Years

Impairment of Long-Lived Assets

On an ongoing basis, Hoosier Academy reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Taxes on Income

Hoosier Academy, Inc. has received a determination 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 organization would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require Hoosier Academy to recognize a tax liability only if it is more likely than not the tax position would not 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. Hoosier Academy has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of Hoosier Academy are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

HOOSIER ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Hoosier Academy is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

Hoosier Academy evaluated subsequent events through March 29, 2023, the date these financial statements were available to be issued. Events and transactions occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 LEASES

Hoosier Academy leases its school facility under an operating lease. The lease provides for monthly lease payments through August 2024. Hoosier Academy also leases certain items of office equipment under an operating lease, which provides for monthly payments through August 2025. Rent expense for the years ended June 30, 2022 and 2021 under these operating leases was \$97,547 and \$211,831, respectively.

Future minimum lease obligations for noncancelable operating leases with initial lease terms in excess of one year are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 62,467
2024	36,000
2025	6,000
Total	<u>\$ 104,467</u>

NOTE 3 COMMITMENTS

Hoosier Academy operates its schools under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, Hoosier Academy has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Payments under the charter agreements were \$120,581 and \$129,595 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect for Insight School of Indiana until June 30, 2027 and is renewable thereafter by mutual consent.

HOOSIER ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 COMMITMENTS (CONTINUED)

Hoosier Academy has contracted with K12 Classroom, LLC to provide administrative and technology services. Under the terms of the agreement, Hoosier Academy has agreed to pay an amount equal to 22% of revenues, as defined, for such services. Such fees for the years ended June 30, 2022 and 2021 were \$774,351 and \$2,139,969, respectively. Hoosier Academy also purchases certain other curriculum materials and supplies for which it is billed as goods and services are received. Such purchases aggregated \$42,667 and \$1,282,002 for the years ended June 30, 2022 and 2021, respectively. This agreement remains in effect until June 30, 2027.

K12 Classroom, LLC has agreed to issue credits against the amounts billed for services and products provided, if needed, to ensure that Hoosier Academy does not end a fiscal year with a financial deficit.

For the years ended June 30, 2022 and 2021, service fees were reduced as follows:

	Administrative and Technology Fees	Other Service Fees
Year Ended June 30, 2022:		
Charges per Contract	\$ 774,351	\$ 42,677
Credit Issued by K12 Classroom LLC	(579,428)	(1,445,110)
Net Charges (Credits)	<u>\$ 194,923</u>	<u>\$ (1,402,433)</u>
Year Ended June 30, 2021:		
Charges per Contract	\$ 2,139,969	\$ 1,282,002
Credit Issued by K12 Classroom LLC	(1,234,340)	(1,281,794)
Net Charges	<u>\$ 905,629</u>	<u>\$ 208</u>

The deficit credits provided by K12 Classroom, LLC are subject to repayment if Hoosier Academy experiences a surplus in subsequent fiscal years. The amount of the repayment is based on a percentage of the surplus experienced during such fiscal year ranging from 25% to 75% dependent upon the amount of the surplus. Any unpaid credits remaining upon termination of the agreement are not subject to repayment. Hoosier Academy is not able to estimate the amount of the repayment, if any, expected to be made in future years.

HOOSIER ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 RETIREMENT PLANS

Hoosier Academy provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF), which is a cost-sharing multiemployer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2022 and 2021, Hoosier Academy contributed 7.5% of compensation for eligible teaching personnel to TRF. Should Hoosier Academy elect to withdraw from TRF, it could be subject to a withdrawal fee. Hoosier Academy's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2021 (the latest year reported), TRF was approximately 95% funded.

In lieu of TRF, employees can opt to participate in a Section 403(b) plan sponsored by Hoosier Academy. Under this plan, Hoosier Academy contributes 7.5% of compensation, as defined. Additional contributions may be made at the discretion of the board of directors. No discretionary contributions were made in 2022 or 2021. Retirement plan expense under both plans was \$114,112 and \$159,918 for the years ended June 30, 2022 and 2021, respectively.

NOTE 5 RISKS AND UNCERTAINTIES

Hoosier Academy provides educational instruction services to families residing in Marion and surrounding counties in Indiana, and to students throughout the state of Indiana through its virtual curriculum 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 grants awarded under federal programs. Changes in state or federal legislation could significantly affect Hoosier Academy. Additionally, Hoosier Academy is subject to monitoring and audit by state and federal agencies. Those examinations could result in additional liability to be imposed.

Financial instruments that potentially subject Hoosier Academy to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022 and 2021, substantially all of the receivable balance was due from the state of Indiana.

Hoosier Academy primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, Hoosier Academy has not experienced losses in any of these accounts.

HOOSIER ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 RISKS AND UNCERTAINTIES (CONTINUED)

The Coronavirus Disease (COVID-19) pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of operations and financial results, including operating virtually for some periods of time and additional funding opportunities. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 6 LIQUIDITY

Under ASU 2016-14, Hoosier Academy is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The Hoosier Academy's financial assets include cash and grants receivable. Financial assets at June 30, 2022 total \$1,526,754, all of which are available to meet cash needs for general expenditures within one year. Financial assets at June 30, 2021 total \$1,248,097, all of which are available to meet cash needs for general expenditures within one year.

From time to time, Hoosier Academy receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, Hoosier Academy must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Hoosier Academy's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of Hoosier Academy has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

SUPPLEMENTARY INFORMATION

HOOSIER ACADEMY, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Hoosier Academy Indianapolis	Insight School of Indiana	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 259,139	\$ 709,695	\$ 968,834
Accounts Receivable:			
Grants	-	557,920	557,920
Prepaid Expenses	-	9,251	9,251
Total Current Assets	<u>259,139</u>	<u>1,276,866</u>	<u>1,536,005</u>
PROPERTY AND EQUIPMENT			
Furniture and Equipment	-	29,051	29,051
Less: Accumulated Depreciation	-	(29,051)	(29,051)
Property and Equipment, Net	<u>-</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u><u>\$ 259,139</u></u>	 <u><u>\$ 1,276,866</u></u>	 <u><u>\$ 1,536,005</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable and Accrued Expenses:			
K12 Classroom, LLC	\$ 203,847	\$ 944,810	\$ 1,148,657
Other	55,292	332,056	387,348
Total Current Liabilities	<u>259,139</u>	<u>1,276,866</u>	<u>1,536,005</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS			
	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities and Net Assets	 <u><u>\$ 259,139</u></u>	 <u><u>\$ 1,276,866</u></u>	 <u><u>\$ 1,536,005</u></u>

HOOSIER ACADEMY, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Hoosier Academy Indianapolis	Insight School of Indiana	Eliminating Entries	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 469,787	\$ 288,943	\$ -	\$ 758,730
Accounts Receivable:				
Grants	114,287	468,889	(93,809)	489,367
Prepaid Expenses	1,042	4,047	-	5,089
Total Current Assets	<u>585,116</u>	<u>761,879</u>	<u>(93,809)</u>	<u>\$ 1,253,186</u>
PROPERTY AND EQUIPMENT				
Leasehold Improvements	777,312	-	-	777,312
Furniture and Equipment	975,217	29,051	-	1,004,268
Less: Accumulated Depreciation	<u>(1,640,928)</u>	<u>(29,051)</u>	<u>-</u>	<u>(1,669,979)</u>
Property and Equipment, Net	<u>111,601</u>	<u>-</u>	<u>-</u>	<u>111,601</u>
 Total Assets	 <u>\$ 696,717</u>	 <u>\$ 761,879</u>	 <u>\$ (93,809)</u>	 <u>\$ 1,364,787</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Accrued Expenses:				
K12 Classroom, LLC	\$ 454,297	\$ 367,981	\$ -	\$ 822,278
Other	199,044	281,365	(93,809)	386,600
Refundable Advance	43,376	112,533	-	155,909
Total Current Liabilities	<u>696,717</u>	<u>761,879</u>	<u>(93,809)</u>	<u>1,364,787</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities and Net Assets	 <u>\$ 696,717</u>	 <u>\$ 761,879</u>	 <u>\$ (93,809)</u>	 <u>\$ 1,364,787</u>

HOOSIER ACADEMY, INC.
SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Hoosier Academies Indianapolis	Insight School of Indiana	Total
REVENUE AND SUPPORT			
State Education Support	\$ 162,266	\$ 4,189,243	\$ 4,351,509
Grant Revenue	148,822	938,812	1,087,634
Contributions and Donations	(8,764)	8,764	-
Other	1,090	88	1,178
Total Revenue and Support	<u>303,414</u>	<u>5,136,907</u>	<u>5,440,321</u>
EXPENSES			
Program Services	251,997	4,714,766	4,966,763
Management and General	51,417	422,141	473,558
Total Expenses	<u>303,414</u>	<u>5,136,907</u>	<u>5,440,321</u>
CHANGE IN NET ASSETS	-	-	-
Net Assets - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

HOOSIER ACADEMY, INC.
SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY SCHOOL
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Hoosier Academies Indianapolis	Insight School of Indiana	Total
REVENUE AND SUPPORT			
State Education Support	\$ 956,156	\$ 3,954,336	\$ 4,910,492
Grant Revenue	297,135	626,013	923,148
Other	456	-	456
Total Revenue and Support	<u>1,253,747</u>	<u>4,580,349</u>	<u>5,834,096</u>
EXPENSES			
Program Services	1,071,591	3,940,159	5,011,750
Management and General	182,156	640,190	822,346
Total Expenses	<u>1,253,747</u>	<u>4,580,349</u>	<u>5,834,096</u>
CHANGE IN NET ASSETS	-	-	-
Net Assets - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**HOOSIER ACADEMY, INC.
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

The reports presented herein were prepared in addition to another official report prepared for Hoosier Academy, Inc. as listed below:

Supplemental Audit Report of Hoosier Academy, Inc.

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*.



**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**

Board of Directors
Hoosier Academy, Inc.
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hoosier Academy, Inc. (the School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

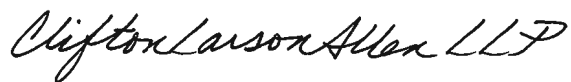
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 29, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Hoosier Academy, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hoosier Academy, Inc.'s (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

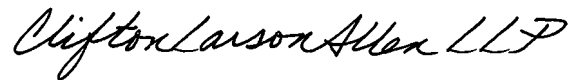
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Hoosier Academy, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 29, 2023

HOOSIER ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Education				
Passed through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A170014	\$ -	\$ 9,009
Title I Grants to Local Educational Agencies	84.010	S010A180014	-	(3,657)
Title I Grants to Local Educational Agencies	84.010	S010A190014	-	15,085
Title I Grants to Local Educational Agencies	84.010	S010A200014	-	(30,957)
Title I Grants to Local Educational Agencies	84.010	S010A210014	-	201,729
Title I Grants to Local Educational Agencies	84.010	S010A1200014	-	11,636
Total - 84.010			-	202,845
Special Education Cluster (IDEA)				
Special Education Grants to States	84.027	H027A170084	-	(7,318)
Special Education Grants to States	84.027	H027A180084	-	21,979
Special Education Grants to States	84.027	H027A190084	-	61,078
Special Education Grants to States	84.027	H027A200084	-	232,953
Special Education Grants to States	84.027	H027A210084	-	114,585
Total - 84.027			-	423,277
Title II Supporting Effective Instruction State Grants	84.367	S367A190013	-	4,621
Title II Supporting Effective Instruction State Grants	84.367	S367A200013	-	15,514
Total - 84.367			-	20,135
Title IV Student Support and Academic Enrichment Program	84.424	S424A180015	-	19,630
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	-	2,186
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	-	77,365
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	-	83,911
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	-	61,160
COVID 19: Educational Stabilization Fund:				
Elementary and Secondary School Emergency Relief Fund	84.425U	S425U200013	-	145,284
Total - 84.425			-	369,906
Total Department of Education			-	1,035,793
Total Expenditures of Federal Awards			\$ -	\$ 1,035,793

HOOSIER ACADEMY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hoosier Academy, Inc. (the School) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HOOSIER ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
84.027	Special Education Cluster (IDEA)
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u> x </u> no

HOOSIER ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**HOOSIER ACADEMY, INC.
MARION COUNTY, INDIANA**

SUPPLEMENTAL AUDIT REPORT

JULY 1, 2021 TO JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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HOOSIER ACADEMY, INC.
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AUDIT RESULTS AND COMMENTS	3
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OFFICIAL RESPONSE	5

**HOOSIER ACADEMY, INC.
MARION COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	Jayme Short-DeLeon	07/01/2021 – 06/30/2022
Head of School	David Rarick	07/19/2021 – 06/30/2022
Head of School	Tina Walker	07/01/2021 – 07/18/2021
Board Treasurer	Gary Meyer	07/01/2021 – 06/30/2022



CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Hoosier Academy, Inc.
Indianapolis, Indiana

We have audited the financial statements of Hoosier Academy, Inc. (Hoosier Academy) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 29, 2023. As part of our audit, we tested Hoosier Academy's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe Hoosier Academy was not in compliance with those provisions.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 29, 2023

**HOOSIER ACADEMY, INC.
MARION COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

AVERAGE DAILY MAINTENANCE (ADM) TESTING

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE). Hoosier Academy (specifically Insight School of Indiana) has adopted a policy requiring birth certificates, immunization records, and proof of residency. The process used did not result in maintaining consistent and complete enrollment records. The Insight School of Indiana had 15 of 90 students missing documentation as required by the policy (2 students were missing birth certificates, 5 students were missing proof of residency, 4 students were missing immunization records, and 4 students were missing birth certificates and immunization records).

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

**HOOSIER ACADEMY, INC.
MARION COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on February 21, 2023 with Jayme Short-Deleon (Board President), Gary Meyer (Board Treasurer), and representatives from K12, Inc. The Official Response has been made a part of this report and may be found on page 5.



POWERED BY K12

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ADM Testing and Enrollment Documentation – Response by HOS

Background: The finding in the audit indicated that “Hoosier Academy Indianapolis and Insight School of Indiana (now Hoosier College and Career Academy) have adopted a policy requiring birth certificates, immunizations records, and proof of residency.” The Head of School will review this policy and recommend changes, if necessary, to ensure consistency with all statutory and regulatory requirements for charter schools to maintain consistent and complete enrollment records. District administration will also work continue to obtain all required enrollment documents in the onboarding process and throughout the year as needed. School officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. The students registered with Hoosier College and Career will attend educational programs and receive education services virtually.

In summary, district administration will take action to correct the findings for the ADM testing and enrollment documentation to comply with the Indiana Department of Education. School officials will work to ensure for the future enrollment process, that all required enrollment documents will be available as dictated by Indiana Code.



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**Indiana Online Learning Options, Inc.
(Indiana Connections Academy and Indiana
Connections Career Academy)**

INDIANA ONLINE LEARNING OPTIONS, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**INDIANA ONLINE LEARNING OPTIONS, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Indiana Online Learning Options, Inc.
Indianapolis, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Indiana Online Learning Options, Inc. (the School), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Schools' ability to continue as a going concern for a reasonable period of time.

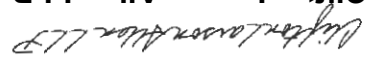
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.


CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

INDIANA ONLINE LEARNING OPTIONS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 9,755,638	\$ 8,111,726
Grants Receivable	<u>2,395,346</u>	<u>2,274,982</u>
Total Current Assets	12,150,984	10,386,708
PROPERTY AND EQUIPMENT		
Leasehold Improvements	95,900	95,900
Furniture and Equipment	94,944	94,944
Less: Accumulated Depreciation	<u>(116,277)</u>	<u>(95,401)</u>
Property and Equipment, Net	<u>74,567</u>	<u>95,443</u>
Total Assets	<u><u>\$ 12,225,551</u></u>	<u><u>\$ 10,482,151</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Due to Connections Academy of Indiana, LLC	\$ 7,939,933	\$ 9,097,878
Accounts Payable and Accrued Expenses	1,182,437	1,310,645
Deferred Revenue	<u>35,339</u>	<u>41,714</u>
Total Current Liabilities	9,157,709	10,450,237
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>3,067,842</u>	<u>31,914</u>
Total Liabilities and Net Assets	<u><u>\$ 12,225,551</u></u>	<u><u>\$ 10,482,151</u></u>

See accompanying Notes to Financial Statements.

INDIANA ONLINE LEARNING OPTIONS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 44,766,439	\$ 43,317,901
Grant Revenue	6,569,249	3,936,629
Contributions	298,848	-
Other	12,650	-
Total Revenue and Support	<u>51,647,186</u>	<u>47,254,530</u>
EXPENSES		
Program Services	41,392,144	39,976,791
Management and General	7,219,114	7,331,780
Total Expenses	<u>48,611,258</u>	<u>47,308,571</u>
CHANGES IN NET ASSETS	3,035,928	(54,041)
Net Assets - Beginning of Year	<u>31,914</u>	<u>85,955</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,067,842</u></u>	<u><u>\$ 31,914</u></u>

See accompanying Notes to Financial Statements.

INDIANA ONLINE LEARNING OPTIONS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 11,604,063	\$ -	\$ 11,604,063	\$ 12,445,931	\$ -	\$ 12,445,931
Employee Benefits	3,509,140	-	3,509,140	3,778,701	-	3,778,701
Staff Development and Recruitment	793,269	6,254	799,523	1,079,568	26,353	1,105,921
Authorizer Fees	-	1,087,742	1,087,742	-	1,163,780	1,163,780
Professional Services	1,616,232	268,378	1,884,610	753,839	253,930	1,007,769
School Administration and Support Services	6,411,828	4,520,536	10,932,364	5,405,258	4,751,033	10,156,291
Classroom and Office Supplies	10,003,326	-	10,003,326	9,254,730	25,339	9,280,069
Technology	6,034,883	-	6,034,883	6,083,322	-	6,083,322
Testing	877,141	-	877,141	958,868	-	958,868
Occupancy	29,573	-	29,573	123,652	-	123,652
Travel	40,119	-	40,119	11,837	-	11,837
Depreciation	20,876	-	20,876	9,253	-	9,253
Equipment	15,367	-	15,367	16,505	-	16,505
Repairs and Maintenance	-	-	-	3,514	-	3,514
Insurance	-	12,521	12,521	-	11,952	11,952
Other	436,327	1,323,683	1,760,010	51,813	1,099,393	1,151,206
Total Functional Expenses	<u>\$ 41,392,144</u>	<u>\$ 7,219,114</u>	<u>\$ 48,611,258</u>	<u>\$ 39,976,791</u>	<u>\$ 7,331,780</u>	<u>\$ 47,308,571</u>

See accompanying Notes to Financial Statements.

INDIANA ONLINE LEARNING OPTIONS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 3,035,928	\$ (54,041)
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	20,876	9,253
Changes in Operating Assets and Liabilities:		
State Tuition Receivable	-	74,076
Grants Receivable	(120,364)	(499,591)
Due to Connections Academy of Indiana, LLC	(1,157,945)	1,669,924
Accounts Payable and Accrued Expenses	(128,208)	308,474
Deferred Revenue	(6,375)	17,894
Net Cash Provided by Operating Activities	<u>1,643,912</u>	<u>1,525,989</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	<u>-</u>	<u>(91,330)</u>
NET CHANGE IN CASH	1,643,912	1,434,659
Cash - Beginning of Year	<u>8,111,726</u>	<u>6,677,067</u>
CASH - END OF YEAR	<u><u>\$ 9,755,638</u></u>	<u><u>\$ 8,111,726</u></u>

See accompanying Notes to Financial Statements.

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Indiana Online Learning Options, Inc. (IOL) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana, and is the governing body of two virtual public charter schools, Indiana Connections Academy (INCA) and Indiana Connections Career Academy (INCC). The 2017-2018 school year was the first year of operations for INCC. Both INCA and INCC (together referred to as the Schools) operate under Indiana Code 20-24 and are sponsored by Ball State University. The Schools are available to students residing in the state of Indiana and provide educational instruction to approximately 7,000 students in grades kindergarten through 12.

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 primarily come from conditional resources provided under the Indiana Charter Schools Act. Under the Act, IOL receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of IOL's revenue is the product of cost reimbursement grants. Therefore, IOL recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022 and 2021, IOL does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Grants Revenue

IOL receives income from grants and contributions that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions. There were no such restricted revenues during the years ended June 30, 2022 and 2021.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and State Tuition Support Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. IOL believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. IOL believes that all balances will be collected.

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 \$1,000 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:

Leasehold Improvements	3 to 7 Years
Furniture and Equipment	5 to 7 Years

Impairment of Long-Lived Assets

On an ongoing basis, IOL reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Taxes on Income

IOL has received a determination from the 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, IOL would be subject to tax on income unrelated to its tax-exempt purpose. For the periods ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require IOL to recognize a tax liability only if it is more likely than not the tax position would not 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. IOL has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of IOL are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. IOL is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

The School evaluated subsequent events through March 30, 2023, 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.

NOTE 2 RETIREMENT PLANS

IOL's personnel are eligible to participate in a 401(k) retirement plan sponsored by Pearson Online & Blended Learning, LLC. Under the plan, IOL matches 100% of employee contributions up to 3% of compensation and 50% of employee contributions for the next 3% of compensation. IOL may also make additional discretionary contributions. No discretionary contributions were made in 2022 and 2021. Retirement plan expense for the years ended June 30, 2022 and 2021 was \$245,917 and \$228,621, respectively.

NOTE 3 LEASE

IOL leases its facilities under an operating lease through August 30, 2026. Expense under the lease for the years ended June 30, 2022 and 2021 was \$29,573 and \$123,652, respectively. Future minimum lease obligations under this lease are as follows for the years ending June 30:

<u>Years Ending June 30,</u>	<u>Amount</u>
2023	\$ 41,800
2024	42,845
2025	43,890
2026	44,935
2027	7,664
Total	<u>\$ 181,134</u>

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 COMMITMENTS

INCA and INCC operate under a single charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charter, IOL agrees to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was \$1,087,742 and \$1,163,780 for the years ended June 30, 2022 and 2021, respectively. The charters remain in effect until June 30, 2026 and are renewable thereafter by mutual consent.

IOL has contracted with Connections Academy of Indiana, LLC to provide instructional materials and services as well as administrative and technology services to IOL. As compensation for these services, IOL negotiates a schedule of fees for services for each year of the term of agreement, which remains in effect until June 30, 2026.

Connections Academy of Indiana, LLC has agreed to make a contribution and/or issue credits against the amounts billed for services and products provided, if needed, to ensure that IOL does not end a fiscal year with a financial deficit. The total contribution was \$298,848 and \$115,227 for the years ended June 30, 2022 and 2021, respectively, and the credits issued to IOL were \$-0- and \$748,626 for the years ended June 30, 2022 and 2021, respectively.

Such fees were as follows for the years ended June 30:

	2022	2021
Enrollment/Unit-Based Fees	\$ 1,864,039	\$ 18,324,789
Revenue-Based Fees	966,582	10,210,665
Total	2,830,621	28,535,454
Less: Total Contribution and Credits Issues	(298,848)	(863,853)
Net Fees	<u>\$ 2,531,773</u>	<u>\$ 27,671,601</u>

NOTE 5 RISKS AND UNCERTAINTIES

IOL provides educational instruction services in a virtual school environment 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 grants awarded under federal programs. Changes in state or federal legislation could significantly affect IOL. Additionally, IOL is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on IOL.

Financial instruments that potentially subject IOL to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022 and 2021, substantially all of the receivable balance was due from the state of Indiana.

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5 RISKS AND UNCERTAINTIES (CONTINUED)

IOL primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, IOL has not experienced losses in any of these accounts.

The Coronavirus Disease (COVID-19) pandemic continues to have significant effects on global markets, supply chains, businesses, and communities. Specific to the IOL, COVID-19 has impacted various parts of its operations and financial results, including an increased demand for virtual learning options and additional funding opportunities. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 6 LIQUIDITY

Under ASU 2016-14, IOL is required to disclose the assets it has available at June 30, 2022 and 2021, to meet its cash needs for general expenditures within one year of the date of the statement of financial position. IOL's financial assets include cash and grants receivable. Financial assets at June 30, 2022 and 2021 totaling \$12,150,984 and \$10,386,708 respectively, all of which are available to meet cash needs for general expenditures within the next year.

From time to time, IOL receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, IOL must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the IOL's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 7 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and changes in net assets. Management of IOL has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**INDIANA ONLINE LEARNING OPTIONS, INC.
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Indiana Online Learning Options, Inc.

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*.

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Indiana Connections Academy	Indiana Connections Career Academy	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 9,188,002	\$ 567,636	\$ 9,755,638
State Tuition Support Receivable	-	-	-
Grants Receivable	1,842,371	552,975	2,395,346
Due from (to) Intercompany	202,469	(202,469)	-
Total Current Assets	<u>11,232,842</u>	<u>918,142</u>	<u>12,150,984</u>
PROPERTY AND EQUIPMENT, NET			
Leasehold Improvements	95,900	-	95,900
Furniture and Equipment	94,944	-	94,944
Less: Accumulated Depreciation	(116,277)	-	(116,277)
Property and Equipment, Net	<u>74,567</u>	<u>-</u>	<u>74,567</u>
Total Assets	<u><u>\$ 11,307,409</u></u>	<u><u>\$ 918,142</u></u>	<u><u>\$ 12,225,551</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Due to Connections Academy of Indiana, LLC	\$ 7,185,228	\$ 754,705	\$ 7,939,933
Accounts Payable and Accrued Expenses	1,038,141	144,296	1,182,437
Deferred Revenue	27,149	8,190	35,339
Total Current Liabilities	<u>8,250,518</u>	<u>907,191</u>	<u>9,157,709</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>3,056,891</u>	<u>10,951</u>	<u>3,067,842</u>
Total Liabilities and Net Assets	<u><u>\$ 11,307,409</u></u>	<u><u>\$ 918,142</u></u>	<u><u>\$ 12,225,551</u></u>

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Indiana Connections Academy	Indiana Connections Career Academy	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 7,448,093	\$ 663,633	\$ 8,111,726
State Tuition Support Receivable	-	-	-
Grants Receivable	2,120,367	154,615	2,274,982
Due from (to) Intercompany	57,713	(57,713)	-
Total Current Assets	<u>9,626,173</u>	<u>760,535</u>	<u>10,386,708</u>
PROPERTY AND EQUIPMENT, NET			
Leasehold Improvements	95,900	-	95,900
Furniture and Equipment	94,944	-	94,944
Less: Accumulated Depreciation	(95,401)	-	(95,401)
Property and Equipment, Net	<u>95,443</u>	<u>-</u>	<u>95,443</u>
Total Assets	<u><u>\$ 9,721,616</u></u>	<u><u>\$ 760,535</u></u>	<u><u>\$ 10,482,151</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Due to Connections Academy of Indiana, LLC	\$ 8,482,991	\$ 614,887	\$ 9,097,878
Accounts Payable and Accrued Expenses	1,183,675	126,970	1,310,645
Deferred Revenue	33,777	7,937	41,714
Total Current Liabilities	<u>9,700,443</u>	<u>749,794</u>	<u>10,450,237</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>21,173</u>	<u>10,741</u>	<u>31,914</u>
Total Liabilities and Net Assets	<u><u>\$ 9,721,616</u></u>	<u><u>\$ 760,535</u></u>	<u><u>\$ 10,482,151</u></u>

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY SCHOOL
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Indiana Connections Academy	Indiana Connections Career Academy	Total
REVENUE AND SUPPORT			
State Education Support	\$ 40,841,964	\$ 3,924,475	\$ 44,766,439
Grant Revenue	5,765,075	804,174	6,569,249
Other Income	12,059	591	12,650
Contribution Revenue	-	298,848	298,848
Total Revenue and Support	<u>46,619,098</u>	<u>5,028,088</u>	<u>51,647,186</u>
EXPENSES			
Program Services	37,006,174	4,385,970	41,392,144
Management and General	6,577,206	641,908	7,219,114
Total Expenses	<u>43,583,380</u>	<u>5,027,878</u>	<u>48,611,258</u>
CHANGES IN NET ASSETS	3,035,718	210	3,035,928
Net Assets - Beginning of Year	<u>21,173</u>	<u>10,741</u>	<u>31,914</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,056,891</u></u>	<u><u>\$ 10,951</u></u>	<u><u>\$ 3,067,842</u></u>

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY SCHOOL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Indiana Connections Academy	Indiana Connections Career Academy	Total
REVENUE AND SUPPORT			
State Education Support	\$ 40,122,085	\$ 3,195,816	\$ 43,317,901
Grant Revenue	3,632,465	304,164	3,936,629
Total Revenue and Support	<u>43,754,550</u>	<u>3,499,980</u>	<u>47,254,530</u>
EXPENSES			
Program Services	36,776,736	3,200,055	39,976,791
Management and General	6,975,485	356,295	7,331,780
Total Expenses	<u>43,752,221</u>	<u>3,556,350</u>	<u>47,308,571</u>
CHANGES IN NET ASSETS	2,329	(56,370)	(54,041)
Net Assets - Beginning of Year	<u>18,844</u>	<u>67,111</u>	<u>85,955</u>
NET ASSETS - END OF YEAR	<u><u>\$ 21,173</u></u>	<u><u>\$ 10,741</u></u>	<u><u>\$ 31,914</u></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**

Board of Directors
Indiana Online Learning Options, Inc.
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Indiana Online Learning Options, Inc. (the School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Indiana Online Learning Options, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Indiana Online Learning Options, Inc.'s (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

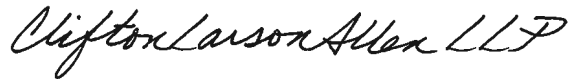
Report on Internal Control Over Compliance

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Department of Education:			
Passed-Through from Indiana Department of Education:			
Title I Grants to Local Educational Agencies	84.010	S010A200014	\$ 791,421
Title I Grants to Local Educational Agencies	84.010	S010A200015	18,750
Title I Grants to Local Educational Agencies	84.010	S010A190014	121,879
Title I Grants to Local Educational Agencies	84.010	1861-001-PN01	104,154
Total Assistance Listing Number 84.010			<u>1,036,204</u>
Special Education Cluster (IDEA)			
Passed-Through from Indiana Department of Education:			
Special Education Grants to States	84.027A	20611-546-PN01	1,090,881
Special Education Grants to States	84.027A	H027A190084	106,528
Special Education Grants to States	84.027X	N/A	98,654
Special Education Grants to States	84.027X	N/A	15,212
Total Assistance Listing Number 84.027			<u>1,311,275</u>
Special Education Preschool Grants	84.173A	20619-546-PN01	17,757
Total Special Education Cluster (IDEA)			<u>1,329,032</u>
Passed-Through from Indiana Department of Education:			
Charter School Program	84.282A	N/A	207,345
Passed-Through from Indiana Department of Education:			
English Language Acquisition State Grants	84.365A	N/A	5,838
Passed-Through from Indiana Department of Education:			
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	S367A190013	164,539
Supporting Effective Instruction State Grants (Formerly Improving Teacher Quality State Grants)	84.367	S367A200013	16,544
Total Assistance Listing Number 84.367			<u>181,083</u>
Passed-Through from Indiana Department of Education:			
Student Support and Academic Enrichment Program	84.424A	S424A120015	963
Student Support and Academic Enrichment Program	84.424A	S424A200015	10,129
Total Assistance Listing Number 84.424			<u>11,092</u>
Passed-Through from Indiana Department of Education:			
COVID 19: Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	1,852,535
COVID 19: Education Stabilization Fund:			
Elementary and Secondary School Emergency Relief Fund	84.425D	S425D200013	137,576
Total Assistance Listing Number 84.425			<u>1,990,111</u>
Total U.S. Department of Education			<u>4,760,705</u>
Total Expenditures of Federal Awards			<u>\$ 4,760,705</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

INDIANA ONLINE LEARNING OPTIONS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Indiana Online Learning Options, Inc. (the School) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4 SUBRECIPIENTS

The School did not make any federal awards to subrecipients during the year ended June 30, 2022.

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

84.027, 84.173

Name of Federal Program or Cluster

Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

INDIANA ONLINE LEARNING OPTIONS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).



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**SUPPLEMENTAL AUDIT REPORT
OF
INDIANA ONLINE LEARNING OPTIONS, INC.
MARION COUNTY INDIANA
JULY 1, 2021 TO JUNE 30, 2022**



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**INDIANA ONLINE LEARNING OPTIONS, INC.
MARION COUNTY, INDIANA
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**INDIANA ONLINE LEARNING OPTIONS, INC.
MARION COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Stacy Taylor	07/01/2021 – 06/30/2022
Executive Director	Carol Larson	07/01/2021 – 06/30/2022
Board Treasurer	Andrew Norris	07/01/2021 – 06/30/2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Indiana Online Learning Options, Inc.
Indianapolis, Indiana

We have audited the financial statements of Indiana Online Learning Options, Inc. (IOL) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 30, 2023. As part of our audit, we tested IOL's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe IOL was not in compliance with those provisions.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

**INDIANA ONLINE LEARNING OPTIONS, INC.
MARION COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

VENDOR DISBURSEMENTS – SALES TAX EXEMPTION

Sales tax can be avoided or reimbursed for purchases eligible under the state tax exemption guidelines. During our testing of vendor disbursements noted there were two (2) instances of the 25 disbursement selections where INCA paid sales tax and noted there were five (5) instances of the 25 disbursement selections where INCC paid sales tax.

Charter schools are eligible for an exemption from the state sales tax on purchases. To obtain the exemption for a Sales Tax Exemption Certificate, application shall be made to the Sales Tax Division of the Department of Revenue. This certificate must be presented at the time a purchase is made to avoid paying sales tax. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

**INDIANA ONLINE LEARNING OPTIONS, INC.
MARION COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on March 30, 2023, with the School's Executive Director Kelly Simon (replaced Carol Larson subsequent to the year ended June 30, 2022), School's Board Treasurer Andrew Norris, and representatives from Pearson Education. The Official Response has been made a part of this report and may be found on page 5.



March 30, 2023

**The Board of Directors
Indiana Online Learning Options, Inc.**

As part of the financial statement audit of Indiana Online Learning Options, Inc. ("IOL") as of and for the year ended June 30, 2022, CliftonLarsonAllen LLP tested IOL's compliance with provisions of the Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools issued by the Indiana State Board of Accounts and related provisions of laws, regulations, and grant agreements, and has communicated Audit Results and Comments. Included herein is the Office Response to the Comment provided by CliftonLarsonAllen LLP in their report presented on March 30, 2023:

IOL Response to Comment on Sales Tax Exemption – The vendor disbursements selected for testing for INCA and INCC for sales tax exemption guidelines which included sales tax related to invoices that were not directly paid by the School. The selections primarily relate to invoices paid by Connections Academy of Indiana LLC on behalf of IOL as a pay agent and then submitted for reimbursement to IOL. As Connections Academy of Indiana LLC is not a tax-exempt entity and is acting as a pay agent for the School, the related sales tax cost is also invoiced to the School with the associated service and/or product by Connections Academy of Indiana LLC. The remaining selections related to disbursements for employee reimbursements, for which the employee reimbursement request included sales tax. As the employee is not tax exempt, sales tax was incurred on the employee's transaction and therefore sales tax was included in the reimbursement to the employee.

For invoices paid directly by the School, prior to invoice payment, IOL will continue to implement its review procedure to ensure sales tax is not remitted with invoice payment. Upon receipt of invoices from vendors, IOL will review invoices to verify sales tax has not been captured on the invoice prior to payment of the invoice and will provide Sales Tax Exemption certificate to vendors where sales tax has been captured on the invoice.

Sincerely,

Kelly Simone

[Kelly Simone \(Mar 30, 2023 09:50 EDT\)](#)

Kelly Simone
Executive Director, Indiana Online Learning Options, Inc.



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Inspire Academy

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Muncie Public Charter School of Inquiry, Inc.
dba: Inspire Academy
Muncie, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Muncie Public Charter School of Inquiry, Inc. dba: Inspire Academy (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Muncie Public Charter School of Inquiry, Inc.
dba: Inspire Academy

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 27, 2023

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 49,263	\$ 209,272
Grants Receivable	111,555	110,776
Prepaid Expenses	33,458	27,217
Total Current Assets	<u>194,276</u>	<u>347,265</u>
PROPERTY AND EQUIPMENT		
Land	76,880	76,880
Buildings and Improvements	1,262,056	502,299
Furniture and Equipment	445,691	326,805
Textbooks	13,092	13,092
Vehicles	31,850	31,850
Less: Accumulated Depreciation	(433,819)	(343,648)
Property and Equipment, Net	<u>1,395,750</u>	<u>607,278</u>
Total Assets	<u><u>\$ 1,590,026</u></u>	<u><u>\$ 954,543</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Note Payable	\$ 24,997	\$ 28,119
Current Portion of Capital Lease Obligations	2,097	2,270
Accounts Payable and Accrued Expenses	92,121	133,240
Refundable Advances	3,667	23,670
Total Current Liabilities	<u>122,882</u>	<u>187,299</u>
LONG-TERM LIABILITIES		
Note Payable, Net of Current Portion	530,003	200,481
Capital Lease Obligations, Net of Current Portion	1,535	3,633
Total Long-Term Liabilities	<u>531,538</u>	<u>204,114</u>
Total Liabilities	654,420	391,413
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>935,606</u>	<u>563,130</u>
Total Liabilities and Net Assets	<u><u>\$ 1,590,026</u></u>	<u><u>\$ 954,543</u></u>

See accompanying Notes to Financial Statements.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 1,463,809	\$ 1,165,668
Grant Revenue	1,175,934	699,748
Student Fees	13,812	7,253
Contributions	105,503	35,638
Fundraising and Other Income	28,828	44,637
Total Revenue and Support	<u>2,787,886</u>	<u>1,952,944</u>
EXPENSES		
Program Services	1,735,136	1,190,653
Management and General	680,274	608,443
Total Expenses	<u>2,415,410</u>	<u>1,799,096</u>
CHANGE IN NET ASSETS	372,476	153,848
Net Assets - Beginning of Year	<u>563,130</u>	<u>409,282</u>
NET ASSETS - END OF YEAR	<u><u>\$ 935,606</u></u>	<u><u>\$ 563,130</u></u>

See accompanying Notes to Financial Statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 843,873	\$ 361,315	\$ 1,205,188	\$ 612,135	\$ 286,811	\$ 898,946
Employee Benefits	149,188	73,389	222,577	120,763	59,182	179,945
Staff Development	52,508	-	52,508	24,073	-	24,073
Professional Services	37,803	116,255	154,058	22,925	90,112	113,037
Connectivity	77,267	-	77,267	37,897	-	37,897
Authorizer Oversight Fees	-	37,219	37,219	-	30,079	30,079
Food Costs	61,366	-	61,366	47,936	-	47,936
Equipment	15,490	-	15,490	7,833	-	7,833
Classroom, Kitchen, and Office Supplies	72,108	5,096	77,204	75,342	4,661	80,003
Occupancy	159,421	25,000	184,421	125,186	-	125,186
Transportation	167,592	-	167,592	-	-	-
Depreciation	90,171	-	90,171	37,778	-	37,778
Interest	-	14,873	14,873	-	6,523	6,523
Property Rental and Maintenance	-	3,350	3,350	-	23,651	23,651
Insurance	-	25,440	25,440	-	23,351	23,351
Other	8,349	18,337	26,686	78,785	84,073	162,858
Total Functional Expenses	<u>\$ 1,735,136</u>	<u>\$ 680,274</u>	<u>\$ 2,415,410</u>	<u>\$ 1,190,653</u>	<u>\$ 608,443</u>	<u>\$ 1,799,096</u>

See accompanying Notes to Financial Statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 372,476	\$ 153,848
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	90,171	37,778
Gain on Extinguishment of Debt - PPP Loan	-	(209,200)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(779)	(83,149)
Prepaid Expenses	(6,241)	23,353
Accounts Payable and Accrued Expenses	(41,119)	27,016
Refundable Advances	(20,003)	(21,499)
Net Cash Provided (Used) by Operating Activities	<u>394,505</u>	<u>(71,853)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(576,143)	(280,304)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayment of Note Payable	-	(150,000)
Proceeds from Note Payable	23,900	228,600
Principal Reduction of Capital Lease Obligations	(2,271)	(2,875)
Net Cash Provided by Financing Activities	<u>21,629</u>	<u>75,725</u>
NET CHANGE IN CASH	(160,009)	(276,432)
Cash - Beginning of Year	<u>209,272</u>	<u>485,704</u>
CASH - END OF YEAR	<u><u>\$ 49,263</u></u>	<u><u>\$ 209,272</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 14,873</u></u>	<u><u>\$ 6,523</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital Assets Acquired With Note Payable	<u><u>\$ 302,500</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Muncie Public Charter School of Inquiry, Inc. dba: Inspire Academy (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates a public charter school established under Indiana Code 20-24 and sponsored by Ball State University. In 2022 and 2021, the School served approximately 153 and 145 students, respectively, in grades prekindergarten to eighth by providing an alternative to the traditional elementary school program.

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.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

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.

Revenue Recognition

Revenues primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2022, the School has one conditional grant that has not been recognized as revenue in the statement of activities because conditions have not been met. See Note 5.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable and Revenue

Grants receivable and revenue relate primarily to activities funded under federal programs. The School believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary.

Contributions, Grants, and Fees

The School receives income from contributions, student fees, and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as Net Assets Released from Restrictions.

Taxes on Income

The School has received a determination from the U.S. Internal Revenue Service 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, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

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 \$1,000 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:

Buildings and Improvements	5 to 40 Years
Furniture and Equipment	3 Years
Textbooks	4 Years
Vehicles	5 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The School evaluated subsequent events through March 27, 2023, 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.

Subsequent to year-end, the School applied for and was approved for a charter with Trine University, to begin July 1, 2023.

NOTE 2 NOTE PAYABLE

Note payable was comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Promissory note payable to IFF, payable in equal monthly installments of \$4,462 including interest at 5.25% secured by a mortgage of School facilities and all business assets	\$ 555,000	\$ 228,600
Less: Current Portion	<u>(24,997)</u>	<u>(28,119)</u>
Long-Term Portion	<u><u>\$ 530,003</u></u>	<u><u>\$ 200,481</u></u>

Principal maturities of the note payable is as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 24,997
2024	26,342
2025	27,793
2026	29,289
2027	30,860
Thereafter	415,719
Total	<u><u>\$ 555,000</u></u>

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 PAYCHECK PROTECTION PROGRAM LOAN

On April 21, 2020, the School received a loan from Star Financial Bank in the amount of \$209,200 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 18 months, deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. On February 16, 2021, the SBA has formally forgiven the entire portion of the School's obligation under this PPP Loan. Therefore, the School recognized \$209,200 in grant revenue in the statement of activities for the year ended June 30, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

NOTE 4 LEASES

The School leases various items of equipment under capital leases. At June 30, 2022, the cost and accumulated depreciation relating to these assets were \$14,582 and \$11,190, respectively (\$14,582 and \$8,905, respectively, at June 30, 2021).

Minimum future lease payments as of June 30, 2022 under capital leases and the present value of the net minimum lease payments are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 2,097
2024	1,334
2025	201
Total	<u>\$ 3,632</u>

NOTE 5 REFUNDABLE ADVANCE

During the year ended June 30, 2019, the School received a \$100,000 comprehensive counseling initiative implementation grant from the Lilly Endowment. The grant must be spent in accordance with the submitted budget and any funds not encumbered before June 30, 2022 must be returned. Accordingly, the revenue is recognized as approved expenditures are incurred. As of June 30, 2022 and 2021, \$3,667 and \$23,670, respectively, remained to be expended.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF), which is a cost-sharing multiple-employer defined benefit retirement plan governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2022 and 2021, the School contributed 5.5% of compensation for eligible teaching personnel to TRF. Should the School elect to withdraw from TRF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF. As of June 30, 2021 (the latest year reported), TRF was more than 95% funded.

All other employees are eligible to participate in a School-sponsored section 403(b) plan. Under this plan, the School contributes 6% of compensation, as defined in the plan document. Additional contributions may be made at the discretion of the board of directors. No discretionary contributions were made in 2022 or 2021. Retirement plan expense under both plans was \$43,609 and \$34,387 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 COMMITMENTS AND CONTINGENCIES

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$37,219 and \$30,079 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2024 and is renewable thereafter by mutual consent.

The School terminated its lease on its facility at 1620 S. Madison Street, Muncie, Indiana effective June 30, 2016, citing landlord nonperformance. The lease was through June 30, 2018 and, as such, the School may be liable for remaining payments. On April 4, 2019, the School received an offer letter from the lessor, The Housing Authority of the City of Muncie, Indiana, to settle for payment in the amount of \$300,000. The School responded, via its attorney, on August 4, 2019, stating its opinion and offering to settle based on the following terms: (1) The Housing Authority of the City of Muncie, Indiana, would retain the original security deposit, and (2) the School tenders an additional lump sum payment of \$22,000. The Housing Authority of the City of Muncie, Indiana responded in January 2020 to settle in the amount of \$200,000. In April 2020, the School responded, via its attorney, that it would settle for \$35,000 plus the \$15,000 security deposit retention. The School recorded a contingent liability of \$35,000 and reduction of prepaid expense of \$15,000 for the proposed settlement during the year ended June 30, 2021. The total expense related to the proposed settlement recorded in the year ended June 30, 2021 was \$50,000. During the year ended June 30, 2022, a proposed settlement was accepted by The Housing Authority of the City of Muncie.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Delaware and surrounding counties 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 grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability 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 and federal funding sources. At June 30, 2020, substantially all of the receivable balance was due from these sources. In addition, bank deposits are maintained primarily at First Financial Bank, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including an increase in nutrition and federal grant funding. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 9 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash and grants receivable. Financial assets at June 30, 2022 and 2021, totaled \$160,818 and \$320,048, respectively, all of which are available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 10 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Muncie Public Charter School of Inquiry, Inc.
dba: Inspire Academy

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*.

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Inspire Academy Charter	Inspire Academy Pre-K	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 49,263	\$ -	\$ -	\$ 49,263
Accounts Receivable	111,555	-	-	111,555
Prepaid Expenses	33,458	-	-	33,458
Due from Pre-K	256,979	-	(256,979)	-
Total Current Assets	451,255	-	(256,979)	194,276
PROPERTY AND EQUIPMENT, NET				
Land	76,880	-	-	76,880
Buildings and Improvements	1,262,056	-	-	1,262,056
Furniture and Equipment	445,691	-	-	445,691
Textbooks	13,092	-	-	13,092
Vehicles	31,850	-	-	31,850
Less: Accumulated Depreciation	(433,819)	-	-	(433,819)
Property and Equipment, Net	1,395,750	-	-	1,395,750
Total Assets	<u>\$ 1,847,005</u>	<u>\$ -</u>	<u>\$ (256,979)</u>	<u>\$ 1,590,026</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Notes Payable	\$ 24,997	\$ -	\$ -	\$ 24,997
Current Portion of Capital Lease Obligations	2,097	-	-	2,097
Accounts Payable and Accrued Expenses	92,121	-	-	92,121
Refundable Advances	3,667	-	-	3,667
Due to Charter School	-	256,979	(256,979)	-
Total Current Liabilities	122,882	256,979	(256,979)	122,882
LONG-TERM LIABILITIES				
Notes Payable, Net of Current Portion	530,003	-	-	530,003
Capital Lease Obligations, Net of Current Portion	1,535	-	-	1,535
Total Long-Term Liabilities	531,538	-	-	531,538
Total Liabilities	654,420	256,979	(256,979)	654,420
NET ASSETS WITHOUT DONOR RESTRICTIONS	1,192,585	(256,979)	-	935,606
Total Liabilities and Net Assets	<u>\$ 1,847,005</u>	<u>\$ -</u>	<u>\$ (256,979)</u>	<u>\$ 1,590,026</u>

MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Inspire Academy Charter	Inspire Academy Pre-K	Total
REVENUE AND SUPPORT			
State Education Support	\$ 1,463,809	\$ -	\$ 1,463,809
Grant Revenue	1,175,934	-	1,175,934
Student Fees	13,812	-	13,812
Contributions	49,434	56,069	105,503
Fundraising and Other Income	28,806	22	28,828
Total Revenue and Support	<u>2,731,795</u>	<u>56,091</u>	<u>2,787,886</u>
EXPENSES			
Program Services	1,658,270	76,866	1,735,136
Management and General	679,392	882	680,274
Total Expenses	<u>2,337,662</u>	<u>77,748</u>	<u>2,415,410</u>
CHANGES IN NET ASSETS	394,133	(21,657)	372,476
Net Assets - Beginning of Year	<u>798,452</u>	<u>(235,322)</u>	<u>563,130</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,192,585</u></u>	<u><u>\$ (256,979)</u></u>	<u><u>\$ 935,606</u></u>



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SUPPLEMENTAL AUDIT REPORT
MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
DELAWARE COUNTY, INDIANA
JULY 1, 2021 TO JUNE 30, 2022



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**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
DELAWARE COUNTY, INDIANA
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**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
DELAWARE COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Leslie Draper	07/01/2021 – 06/30/2022
Financial Manager	Brittany Pickett	07/01/2021 – 06/30/2022
Board President	Dr. Thomas Schroeder	07/01/2021 – 06/30/2022
Board Treasurer	David Wentland	07/01/2021 – 06/30/2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Muncie Public Charter School of Inquiry, Inc.
dba: Inspire Academy
Muncie, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Inspire Academy, as of and for the year ended June 30, 2022, and have issued our report thereon dated March 27, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 27, 2023

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
DELAWARE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

AVERAGE DAILY MEMBERSHIP (ADM) TESTING – ENROLLMENT

Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. The School did not maintain consistent and complete enrollment records for five (5) of the sixty-two (62) students tested for enrollment.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an “eligible pupil”. An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: “‘Eligible pupil’ refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1”. IC 20-43-1-11.5 defines “Enrolled” as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines “Attending” as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

AVERAGE DAILY MEMBERSHIP (ADM) TESTING – REPORTING CERTIFICATIONS

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. During our testing, we noted that the Spring 2022 certifications did not include the superintendent’s signature and was shown as incomplete in the system due to a timing issue with the system that did not retain the certification.

The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

CREDIT CARD TESTING – INTEREST PAID

During our testing of credit cards, there was one (1) instance of the five (5) charges tested where the School paid interest for the statement period that totaled \$86.61. This was subsequently refunded to the School.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
DELAWARE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

CREDIT CARD TESTING

During our testing of credit cards, there were two (2) of the five (5) credit card payments selected for testing had missing receipts. Missing receipts totaled \$516 out of total credit card expenses tested of \$25,010 tested.

Payment of credit cards is to not to be made on the basis of a statement or a credit card slip only. Procedures for payments are processed the same as for any other claim. Supporting documents such as paid bills and receipts are required to be available (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

**MUNCIE PUBLIC CHARTER SCHOOL OF INQUIRY, INC.
DBA: INSPIRE ACADEMY
DELAWARE COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Brittany Pickett, Financial Manager, Leslie Draper, Executive Director, and Dr. Thomas Schroeder, Board President, on March 27, 2023. The officials concurred with our audit findings. The Official Response has been made a part of this report and may be found on page 6.



March 17, 2023

CliftonLarsonAllen LLP
9365 Counselors Row, Suite 200
Indianapolis, IN 46240

Detailed below is the Official Response to Audit Results and Comments relative to the review of Muncie Public Charter School of Inquiry, Inc.'s ("the School") compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State of Accounts.

AVERAGE DAILY MAINTENANCE (ADM) TESTING – ENROLLMENT

Audit Results and Comment: Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. The School did not maintain consistent and complete enrollment records for five (5) of the sixty-two (62) students tested for enrollment.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "'Eligible pupil' refers to an individual who qualifies as an eligible pupil under IC 20-43-4-1". IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

Response: The School has a system for obtaining and maintaining consistent and complete enrollment records to substantiate all students. The School is faced with the challenge of accepting all students with or without proper documentation in compliance with the McKinney-Vento Act.

AVERAGE DAILY MAINTENANCE (ADM) TESTING – REPORTING CERTIFICATIONS

Audit Results and Comment: The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. During our testing, we noted that the Spring 2022 certifications did not include the superintendent's signature and was shown as incomplete in the system due to a timing issue with the system that did not retain the certification.

The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

Response: The School has been in contact with the Indiana Department of Education (IDOE) to address the missing signature and to understand more clearly how the system works in regards to retaining the dual signatures for ADM Summary Report sign-offs. For the 2022-2023 school year, the School will be sure to follow-up with each required signature to ensure they are accepted by the IDOE's reporting system.

CREDIT CARD TESTING – INTEREST PAID

Audit Results and Comment: During our testing of credit cards, there was one (1) instance of the five (5) charges tested where the School paid interest for the statement period that totaled \$86.61. This was subsequently refunded to the School.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

Response: This is an isolated incident and the School has committed to making credit card payments via the secure, online portal in the event a payment may be delayed in the mail to prevent any future interest charges.

CREDIT CARD TESTING

Audit Results and Comment: During our testing of credit cards, there were two (2) of the five (5) credit card payments selected for testing had missing receipts. Missing receipts totaled \$516 out of total credit card expenses tested of \$25,010 tested.

Payment of credit cards is to not to be made on the basis of a statement or a credit card slip only. Procedures for payments are processed the same as for any other claim. Supporting documents such as paid bills and receipts are required to be available (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10).

Response: The School will implement a folder system for the 2022-2023 school year that allows employees to immediately submit credit card receipts, for approved purchases, directly to the Financial Manager for retention and reconciliation with the monthly credit card statement. This should reduce the incidence of receipts being misplaced prior to being given to the School.

A handwritten signature in black ink, appearing to read "Leslie Draper". The signature is fluid and cursive, with the first name "Leslie" written in a larger, more prominent script than the last name "Draper".

Leslie Draper
Executive Director
Inspire Academy- A School of Inquiry
2801 E. 16th St.
Muncie, IN 47302



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.

**Lighthouse Academies of Northwest Indiana
(East Chicago Lighthouse Charter School and Gary
Lighthouse Charter School)**

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.
Wesley Chapel, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lighthouse Academies of Northwest Indiana, Inc. (LANWI), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LANWI, as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LANWI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LANWI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LANWI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LANWI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, on our consideration of LANWI'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LANWI's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LANWI's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 5,609,675	\$ 5,628,830
Cash - Restricted for Bond Interest	319,003	308,225
Accounts Receivable:		
Grants	3,218,128	941,702
Other	54,796	59,226
Prepaid Expenses	139,382	72,567
Total Current Assets	<u>9,340,984</u>	<u>7,010,550</u>
PROPERTY AND EQUIPMENT, NET	15,353,405	15,968,287
OTHER ASSETS		
Cash - Restricted for Debt Service	1,689,288	1,689,288
Cash - Restricted for Property Repairs and Replacement	220,347	126,535
Total Other Assets	<u>1,909,635</u>	<u>1,815,823</u>
 Total Assets	 <u><u>\$ 26,604,024</u></u>	 <u><u>\$ 24,794,660</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Bonds Payable	\$ 335,000	\$ 335,000
Accounts Payable and Accrued Expenses	1,882,531	1,721,189
Total Current Liabilities	<u>2,217,531</u>	<u>2,056,189</u>
LONG-TERM LIABILITIES		
Bonds Payable	18,378,332	18,725,000
Less: Unamortized Debt Issuance Costs	<u>(207,357)</u>	<u>(216,574)</u>
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	<u>18,170,975</u>	<u>18,508,426</u>
 Total Liabilities	 20,388,506	 20,564,615
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>6,215,518</u>	<u>4,230,045</u>
 Total Liabilities and Net Assets	 <u><u>\$ 26,604,024</u></u>	 <u><u>\$ 24,794,660</u></u>

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 14,446,499	\$ 15,054,742
Grant Revenue	13,104,673	8,980,424
In-Kind Contributions	72,000	72,000
Student Fees	19,500	13,136
Contributions	14,464	108
Interest	10,874	235
Other	88,947	94,337
Total Revenue and Support	<u>27,756,957</u>	<u>24,214,982</u>
EXPENSES		
Program Services	21,126,581	16,934,751
Management and General	4,644,903	3,741,939
Total Expenses	<u>25,771,484</u>	<u>20,676,690</u>
CHANGES IN NET ASSETS	1,985,473	3,538,292
Net Assets - Beginning of Year	<u>4,230,045</u>	<u>691,753</u>
NET ASSETS - END OF YEAR	<u><u>\$ 6,215,518</u></u>	<u><u>\$ 4,230,045</u></u>

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 8,701,796	\$ 1,748,434	\$ -	\$ 10,450,230
Employee Benefits	2,393,525	143,184	-	2,536,709
Staff Development and Recruitment	36,764	2,880	-	39,644
Academic Services - Lighthouse				
Academics	-	2,010,165	-	2,010,165
Authorizer Oversight Fee	-	303,055	-	303,055
Food Service	937,906	-	-	937,906
Transportation Service	1,280,362	-	-	1,280,362
Information Technology	106,047	-	-	106,047
Other Professional Services	2,035,203	85,614	-	2,120,817
Equipment Rental	237,296	-	-	237,296
Classroom, Kitchen, and Office				
Supplies	2,137,358	125,764	-	2,263,122
Occupancy	1,052,186	63,956	-	1,116,142
Rent In-Kind	72,000	-	-	72,000
Depreciation	614,882	-	-	614,882
Interest	1,349,503	-	-	1,349,503
Other	171,753	161,851	-	333,604
Total Functional Expenses	<u>\$ 21,126,581</u>	<u>\$ 4,644,903</u>	<u>\$ -</u>	<u>\$ 25,771,484</u>

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries and Wages	\$ 7,707,063	\$ 1,214,898	\$ -	\$ 8,921,961
Employee Benefits	2,099,545	169,673	-	2,269,218
Staff Development and Recruitment	77,184	2,177	-	79,361
Academic Services - Lighthouse				
Academics	-	1,772,301	-	1,772,301
Authorizer Oversight Fee	-	427,668	-	427,668
Food Service	333,458	-	-	333,458
Transportation Service	373,136	-	-	373,136
Information Technology	224,134	-	-	224,134
Other Professional Services	1,087,847	52,737	-	1,140,584
Equipment Rental	116,543	-	-	116,543
Classroom, Kitchen, and Office				
Supplies	1,893,391	48,008	-	1,941,399
Occupancy	857,382	11,000	-	868,382
Rent In-Kind	72,000	-	-	72,000
Depreciation	696,571	-	-	696,571
Interest	1,390,431	-	-	1,390,431
Other	6,066	43,477	-	49,543
Total Functional Expenses	<u>\$ 16,934,751</u>	<u>\$ 3,741,939</u>	<u>\$ -</u>	<u>\$ 20,676,690</u>

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,985,473	\$ 3,538,292
Adjustments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	614,882	696,571
Amortization	9,217	9,216
Paycheck Protection Program Loan Forgiveness	-	(1,805,215)
Changes in Certain Assets and Liabilities:		
Grants Receivable	(2,276,426)	(425,884)
Other Receivables	4,430	5,248
Prepaid Expenses	(66,815)	(69,383)
Accounts Payable and Accrued Expenses	161,342	230,641
Net Cash Provided by Operating Activities	<u>432,103</u>	<u>2,179,486</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(126,007)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Repayment of Bonds Payable	<u>(346,668)</u>	<u>(315,000)</u>
NET CHANGE IN CASH	85,435	1,738,479
Cash - Beginning of Year	<u>7,752,878</u>	<u>6,014,399</u>
CASH - END OF YEAR	<u><u>\$ 7,838,313</u></u>	<u><u>\$ 7,752,878</u></u>
CASH - END OF YEAR		
Cash - Unrestricted	\$ 5,609,675	\$ 5,628,830
Cash - Restricted for Bond Interest	319,003	308,225
Cash - Restricted for Debt Service	1,689,288	1,689,288
Cash - Restricted for Property Repairs and Replacement	220,347	126,535
Total Cash - End of Year	<u><u>\$ 7,838,313</u></u>	<u><u>\$ 7,752,878</u></u>
SUPPLEMENTAL INFORMATION		
Cash Paid for Interest	<u><u>\$ 1,340,286</u></u>	<u><u>\$ 1,381,406</u></u>

See accompanying Notes to Financial Statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Lighthouse Academies of Northwest Indiana, Inc. (LANWI), a public benefit nonprofit organization incorporated under the laws of the state of Indiana, is the organizer and governing body of two charter schools located in Indiana. Both schools are public charter schools established under Indiana Code 20-24 and are sponsored by Ball State University. Gary Lighthouse Charter School served approximately 1,300 students in grades kindergarten through 12 and East Chicago Lighthouse Charter School served approximately 500 students in grades kindergarten through eight during the 2021 - 2022 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 primarily come from resources provided under the Indiana Charter Schools Act. Under the Act, the schools receive an amount per student in relation to the funding received by other public schools in the same geographic areas. Funding from the state of Indiana is based on enrollment, and is paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which educational services are rendered.

A portion of LANWI's revenue is the product of cost reimbursement grants. Accordingly, LANWI recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred.

Grants Revenue and Contributions

LANWI receives income from grants and contributions that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions. When restricted support is received and the restriction is satisfied in the current year, the activity is reported in net assets without donor restrictions. LANWI did not have any conditional grants or contributions as of June 30, 2022 and 2021.

Cash and Restricted Cash

Cash and restricted cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants Receivable

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

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 \$5,000 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:

Building and Improvements	30 Years
Furniture and Equipment	3 to 5 Years

Impairment of Long-Lived Assets

On an ongoing basis, LANWI reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. LANWI recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Debt Issuance Costs

LANWI incurred debt issuance costs totaling \$258,046 associated with securing financing under Indiana Finance Authority Education Facilities Revenue Bonds. Amortization of the debt issuance costs is provided on a straight-line basis over the term of the bonds (27 years). Accumulated amortization was \$50,689 and \$41,472 as of June 30, 2022 and 2021, respectively. Amortization expense was \$9,217 and \$9,216 for the years ended June 30, 2022 and 2021, respectively. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented on the statements of financial position as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income

LANWI has received a determination 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, LANWI would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income (Continued)

Professional accounting standards require LANWI 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. LANWI has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of LANWI are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Change in Accounting Principles

In June 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU was issued to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The amendment to this ASU requires Not-for-Profits to (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) include a disclosure of the disaggregation of the amount of contributed nonfinancial assets recognized by category that depicts the type of contributed nonfinancial assets. This standard did not significantly impact LANWI.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. LANWI is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

LANWI evaluated subsequent events through March 30, 2023, 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.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 RESTRICTED CASH

Cash

Restricted for bond interest is reserved for the payment of interest on the bond semi-annually. Funds are placed in the account monthly to cover one-sixth of the semi-annual interest payment.

Restricted for debt service is reserved for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements.

Restricted for property repairs and replacement was established with the bond proceeds and represents resources available for repairing and replacing facilities.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following as of June 30:

	2022	2021
Land	\$ 1,245,200	\$ 1,245,200
Buildings and Improvements	17,335,671	17,335,671
Furniture and Equipment	1,901,521	1,901,521
Subtotal	20,482,392	20,482,392
Less: Accumulated Depreciation	(5,128,987)	(4,514,105)
Total	<u>\$ 15,353,405</u>	<u>\$ 15,968,287</u>

NOTE 4 BONDS PAYABLE

LANWI purchased its facilities with Indiana Finance Authority Educational Facilities Revenue Bonds, Series 2016 with original amounts totaling \$19,950,000. Principal is payable in annual installments that increase from \$280,000 to \$1,575,000, beginning in December 2018 and maturing in December 2044. Interest payments are made semi-annually at rates ranging from 6.25% to 7.25% in accordance with the bond agreements. The bonds are secured by land, buildings, and improvements.

The Indiana Finance Authority Educational Facilities Revenue Bond agreements contain certain covenants requiring:

- submission of audited financial statements within 150 days after the end of the fiscal year or, if audited, financial statements are not available at that time, unaudited financial statements, and audited financial statements within 10 business days after availability;
- a minimum 45 days cash on hand as of June 30, 2019 and each annual reporting period thereafter (35 days cash on hand as of June 30, 2018); and
- meeting a minimum debt service coverage ratio of 1.15 to 1.00, measured annually.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 BONDS PAYABLE (CONTINUED)

LANWI was in compliance with the debt service coverage ratio covenants as of and for the year ended June 30, 2022.

Principal maturities of bonds payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 335,000
2024	375,000
2025	400,000
2026	425,000
2027	455,000
Thereafter	16,930,689
Total	<u>\$ 18,920,689</u>

NOTE 5 LOAN PAYABLE UNDER PAYCHECK PROTECTION PROGRAM

On April 13, 2020, LANWI received a loan from a financial institution in the amount of \$1,805,215 to fund payroll, rent, and utilities through the Paycheck Protection Program Flexibility Act of 2020 (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. On May 24, 2021, LANWI received full forgiveness of the PPP Loan from the bank and the Small Business Administration (SBA). Accordingly, LANWI recorded the extinguishment of debt as a gain on the statement of activities and changes in net assets for the year ended June 30, 2021. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on LANWI's financial position.

NOTE 6 LEASES

LANWI leases certain items of equipment under operating leases. Total lease expense under operating leases was \$117,931 and \$76,588 for the years ended June 30, 2022 and 2021, respectively. Future minimum lease payments are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 138,300
2024	28,750
Total	<u>\$ 167,050</u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 RETIREMENT PLAN

All LANWI personnel are employees of Lighthouse Academies, Inc., which provides management services to LANWI. LANWI personnel are eligible to participate in the Lighthouse Academies, Inc. Section 401(k) retirement plan. Under the plan, LANWI matches 100% of employee contributions up to 4% of compensation for the plan year. Additional contributions may be made to the plan at the discretion of the LANWI Board of Directors. No discretionary contributions were made during the years ended June 30, 2022 and 2021. Retirement plan expense was \$94,118 and \$93,647 for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 COMMITMENTS

LANWI has contracted with Lighthouse Academies, Inc. to provide management, administrative, and educational programming services for each of its schools. Under the terms of the agreements, LANWI has agreed to pay an amount equal to 7.5% of revenue, as defined, for such services, plus any necessary travel costs. Expense under the agreements for both academic oversight and travel costs was \$2,010,165 and \$1,772,301 for the years ended June 30, 2022 and 2021, respectively. LANWI owed \$38,294 and \$80,564 to Lighthouse Academies, Inc. as of June 30, 2022 and 2021, respectively. This agreement remains in effect as long as the schools' charters remain in effect.

LANWI's two schools operate under charters granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under the charters, LANWI has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received associated with its two schools. Total expense under the charter agreements was \$303,055 and \$427,668 for the years ended June 30, 2022 and 2021, respectively.

NOTE 9 RISKS AND UNCERTAINTIES

LANWI provides education services to families residing in Lake and surrounding counties of 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 grants awarded under federal programs. Changes in state or federal legislation could significantly affect LANWI. Additionally, LANWI is subject to monitoring and audit by state and federal agencies. These examinations may result in additional liability to be imposed.

Financial instruments that potentially subject LANWI to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022 and 2021, substantially all receivable balances were due from the state of Indiana.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 RISKS AND UNCERTAINTIES (CONTINUED)

LANWI primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, LANWI has not experienced losses in any of these accounts.

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to LANWI, COVID-19 has impacted various parts of its operations and financial results, including an increase in federal funding. Management believes LANWI is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 10 LIQUIDITY

Under ASU 2016-14, the LANWI is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The LANWI's financial assets include cash, restricted cash, grants receivable, and other receivables.

	<u>2022</u>	<u>2021</u>
Financial Assets	\$ 11,111,237	\$ 8,753,806
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Restricted Cash for Use in Payment of Bond Interest, Debt Service, and Property Repairs and Replacement	<u>(2,228,638)</u>	<u>(2,124,048)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 8,882,599</u>	<u>\$ 6,629,758</u>

From time to time, LANWI receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, LANWI must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of LANWI's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 11 IN-KIND RENT

The School leases a modular classroom under an operating lease with Lighthouse Academies, Inc. Beginning in the year ending June 30, 2021, Lighthouse Academies, Inc. provided rent abatement for the lease and therefore a donation to the School by allowing it to occupy the modular classroom for free, an amount which is below the fair market value for the rent. The fair market value of the contribution, as determined by the fair market value paid by the School prior to the school year ending June 30, 2022 and 2021, is \$72,000. The School is responsible for all repairs, maintenance, utilities, and insurance.

NOTE 12 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of LANWI has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
OTHER REPORT
JUNE 30, 2022

The reports presented herein were prepared in addition to another official report prepared for Lighthouse Academies of Northwest Indiana, Inc. as listed below:

Supplemental Audit Report of Lighthouse Academies of Northwest Indiana, Inc.

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*.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Gary	East Chicago	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 2,893,067	\$ 2,716,608	\$ -	\$ 5,609,675
Cash - Restricted for Bond Interest	255,202	63,801	-	319,003
Accounts Receivable:				
Grants	2,471,382	746,746	-	3,218,128
Other	69,870	398,372	(413,446)	54,796
Prepaid Expenses	113,261	26,121	-	139,382
Total Current Assets	<u>5,802,782</u>	<u>3,951,648</u>	<u>(413,446)</u>	<u>9,340,984</u>
PROPERTY AND EQUIPMENT, NET	12,317,143	3,036,262	-	15,353,405
OTHER ASSETS				
Cash - Restricted for Debt Service	1,351,430	337,858	-	1,689,288
Cash - Restricted for Property Repairs and Replacement	159,028	61,319	-	220,347
Total Other Assets	<u>1,510,458</u>	<u>399,177</u>	<u>-</u>	<u>1,909,635</u>
 Total Assets	 <u>\$ 19,630,383</u>	 <u>\$ 7,387,087</u>	 <u>\$ (413,446)</u>	 <u>\$ 26,604,024</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Bonds Payable	\$ 268,000	\$ 67,000	\$ -	\$ 335,000
Accounts Payable and Accrued Expenses	1,766,417	529,560	(413,446)	1,882,531
Total Current Liabilities	<u>2,034,417</u>	<u>596,560</u>	<u>(413,446)</u>	<u>2,217,531</u>
LONG-TERM LIABILITIES				
Bonds Payable	14,792,665	3,585,667	-	18,378,332
Less: Unamortized Debt Issuance Costs	(166,824)	(40,533)	-	(207,357)
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	<u>14,625,841</u>	<u>3,545,134</u>	<u>-</u>	<u>18,170,975</u>
 Total Liabilities	 16,660,258	 4,141,694	 (413,446)	 20,388,506
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>2,970,125</u>	<u>3,245,393</u>	<u>-</u>	<u>6,215,518</u>
 Total Liabilities and Net Assets	 <u>\$ 19,630,383</u>	 <u>\$ 7,387,087</u>	 <u>\$ (413,446)</u>	 <u>\$ 26,604,024</u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINANCIAL POSITION BY SCHOOL
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Gary	East Chicago	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 3,804,640	\$ 1,824,190	\$ -	\$ 5,628,830
Cash - Restricted for Bond Interest	246,580	61,645	-	308,225
Accounts Receivable:				
Grants	491,625	450,077	-	941,702
Other	29,300	463,682	(433,756)	59,226
Prepaid Expenses	45,440	27,127	-	72,567
Total Current Assets	<u>4,617,585</u>	<u>2,826,721</u>	<u>(433,756)</u>	<u>7,010,550</u>
PROPERTY AND EQUIPMENT, NET	12,821,965	3,146,322	-	15,968,287
OTHER ASSETS				
Cash - Restricted for Debt Service	1,351,430	337,858	-	1,689,288
Cash - Restricted for Property Repairs and Replacement	84,957	41,578	-	126,535
Total Other Assets	<u>1,436,387</u>	<u>379,436</u>	<u>-</u>	<u>1,815,823</u>
 Total Assets	 <u><u>\$ 18,875,937</u></u>	 <u><u>\$ 6,352,479</u></u>	 <u><u>\$ (433,756)</u></u>	 <u><u>\$ 24,794,660</u></u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Bonds Payable	\$ 268,000	\$ 67,000	\$ -	\$ 335,000
Accounts Payable and Accrued Expenses	1,694,266	460,679	(433,756)	1,721,189
Total Current Liabilities	<u>1,962,266</u>	<u>527,679</u>	<u>(433,756)</u>	<u>2,056,189</u>
LONG-TERM LIABILITIES				
Bonds Payable	15,070,000	3,655,000	-	18,725,000
Less: Unamortized Debt Issuance Costs	<u>(174,238)</u>	<u>(42,336)</u>	<u>-</u>	<u>(216,574)</u>
Total Long-Term Liabilities, Net of Unamortized Debt Issuance Costs	<u>14,895,762</u>	<u>3,612,664</u>	<u>-</u>	<u>18,508,426</u>
 Total Liabilities	 16,858,028	 4,140,343	 (433,756)	 20,564,615
NET ASSETS, WITHOUT DONOR RESTRICTIONS	<u>2,017,909</u>	<u>2,212,136</u>	<u>-</u>	<u>4,230,045</u>
 Total Liabilities and Net Assets	 <u><u>\$ 18,875,937</u></u>	 <u><u>\$ 6,352,479</u></u>	 <u><u>\$ (433,756)</u></u>	 <u><u>\$ 24,794,660</u></u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY SCHOOL
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Gary	East Chicago	Eliminations	Total
REVENUE AND SUPPORT				
State Education Support	\$ 10,383,820	\$ 4,062,679	\$ -	\$ 14,446,499
Grant Revenue	9,947,908	3,156,765	-	13,104,673
In-Kind Contributions	72,000	-	-	72,000
Student Fees	19,430	70	-	19,500
Contributions	14,464	-	-	14,464
Interest	8,699	2,175	-	10,874
Other	49,966	38,981	-	88,947
Total Revenue and Support	<u>20,496,287</u>	<u>7,260,670</u>	<u>-</u>	<u>27,756,957</u>
EXPENSES				
Program Services	16,027,044	5,099,537	-	21,126,581
Management and General	3,517,027	1,127,876	-	4,644,903
Fundraising	-	-	-	-
Total Expenses	<u>19,544,071</u>	<u>6,227,413</u>	<u>-</u>	<u>25,771,484</u>
CHANGES IN NET ASSETS	952,216	1,033,257	-	1,985,473
Net Assets - Beginning of Year	<u>2,017,909</u>	<u>2,212,136</u>	<u>-</u>	<u>4,230,045</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,970,125</u></u>	<u><u>\$ 3,245,393</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,215,518</u></u>

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS BY SCHOOL
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Gary	East Chicago	Eliminations	Total
REVENUE AND SUPPORT				
State Education Support	\$ 10,863,542	\$ 4,191,200	\$ -	\$ 15,054,742
Grant Revenue	7,136,695	1,843,729	-	8,980,424
In-Kind Contributions	72,000	-	-	72,000
Student Fees	12,035	1,101	-	13,136
Contributions	108	-	-	108
Interest	188	47	-	235
Other	51,167	560,661	(517,491)	94,337
Total Revenue and Support	18,135,735	6,596,738	(517,491)	24,214,982
EXPENSES				
Program Services	13,029,666	4,422,576	(517,491)	16,934,751
Management and General	2,778,782	963,157	-	3,741,939
Fundraising	-	-	-	-
Total Expenses	15,808,448	5,385,733	(517,491)	20,676,690
CHANGES IN NET ASSETS	2,327,287	1,211,005	-	3,538,292
Net Assets (Deficit) - Beginning of Year	(309,378)	1,001,131	-	691,753
NET ASSETS - END OF YEAR	<u>\$ 2,017,909</u>	<u>\$ 2,212,136</u>	<u>\$ -</u>	<u>\$ 4,230,045</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**

Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.
Wesley Chapel, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lighthouse Academies of Northwest Indiana, Inc. (LANWI), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LANWI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LANWI's internal control. Accordingly, we do not express an opinion on the effectiveness of LANWI's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

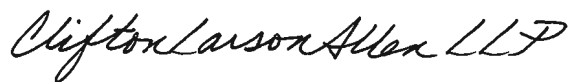
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether LANWI's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.
Wesley Chapel, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lighthouse Academies of Northwest Indiana, Inc.'s (LANWI) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of LANWI's major federal programs for the year ended June 30, 2022. LANWI's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, LANWI 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of LANWI and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of LANWI's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to LANWI's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on LANWI's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about LANWI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding LANWI's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of LANWI's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of LANWI's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor Agency/Pass-Through Entity/ Cluster Title/Program Title/Project Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Awards Expended
U.S. DEPARTMENT OF AGRICULTURE				
Pass-Through Indiana Department of Education:				
Child Nutrition Cluster				
School Breakfast Lunch Program	10.553	N/A	\$ -	\$ 318,450
National School Lunch Program	10.555	N/A	-	818,009
Total Child Nutrition Cluster			-	1,136,459
Total U.S. Department of Agriculture			-	1,136,459
U.S. DEPARTMENT OF EDUCATION				
Pass-Through Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A210014, S010A220014	-	2,563,671
Special Education Cluster				
Special Education - Grants to States	84.027	H027A200084, H027A210084	-	372,060
Special Education - Grants to States	84.027	H173A200104, H173A210104	-	1,530
Total for Special Education Cluster			-	373,590
Supporting Effective Instruction to State Grants	84.367	S367A200013, S367A210013	-	74,739
Student Support and Academic Enrichment Grants	84.424	S424A200015, S424A210015, S424A220015	-	205,617
Education Stabilization Fund Program				
COVID-19 ESSER Formula Fund I	84.425D	S425D200013	-	419,518
COVID-19 ESSER Formula Fund II	84.425D	S425D210013	-	3,424,989
COVID-19 ESSER Formula Fund III	24.425U	S425U210013	-	2,605,031
Total Education Stabilization Fund Program			-	6,449,538
Total U.S. Department of Education			-	9,667,155
Total Federal Awards Expended			\$ -	\$ 10,803,614

See accompanying Notes to Schedule of Expenditures of Federal Awards.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Lighthouse Academies of Northwest Indiana, Inc. (LANWI) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of LANWI, it is not intended to and does not present the financial position, changes in net assets or cash flows of LANWI.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

LANWI has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
10.CNC (10.553, 10.555) 84.425	Child Nutrition Cluster Education Stabilization Fund Program
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	_____ yes <u> x </u> no

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).



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**SUPPLEMENTAL AUDIT REPORT
OF
LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
JULY 1, 2021 TO JUNE 30, 2022**



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**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
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JULY 1, 2021 TO JUNE 30, 2022**

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**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Amina Payne	07/01/21 – 06/30/22
Superintendent	Jessica Beasley	07/01/21 – 06/30/22
Controller	Jonathan Tebeleff	07/01/21 – 06/30/22



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Lighthouse Academies of Northwest Indiana, Inc.
Wesley Chapel, Florida

We have audited the financial statements of Lighthouse Academies of Northwest Indiana, Inc. (LANWI) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 30, 2023. As part of our audit, we tested LANWI's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe LANWI was not in compliance with those provisions.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 30, 2023

LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022

AVERAGE DAILY MEMBERSHIP (ADM) TESTING

Enrollment documents are required to be maintained by the Indiana Department of Education (IDOE) for each student. In addition, the School has adopted a policy requiring additional documents to be obtained at enrollment. The process used did not result in maintaining consistent and complete enrollment records for fifteen (15) students (6 fall, 9 spring) of the 75 tested for enrollment at East Chicago Lighthouse Charter School (ECLCS) and fourteen (14) students (8 fall, 6 spring) of the 75 tested for enrollment at Gary Lighthouse Charter School (GLCS). The students at ECLCS and GLCS were missing the proof of residency documentation, enrollment packet documentation, and/or birth certificate as required by the School's policy.

Records such as paper or electronic enrollment applications, as well as copies of birth certificates and proof of residency, etc. as determined by policy or normal practice by the school should be maintained (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

**LIGHTHOUSE ACADEMIES OF NORTHWEST INDIANA, INC.
LAKE COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on January 27, 2023 with Jessica Beasley (Executive Director), Jonathon Tebeleff (Representative from Lighthouse Academies, Inc), and Shana Caruthers (Board Treasurer. Official response has been made part of this report and may be found starting on page 5.



February 14, 2023

RE: Response to Lighthouse Academies of Northwest Indiana Supplemental Audit Report

Average Daily Attendance (ADM) Testing

Response: Lighthouse Academies of Northwest Indiana has recently gone through a transition terminating management services from Lighthouse Academies who previously managed this process. As a result of this transition, the now Northwest Indiana Lighthouse Charter Schools, has done a thorough evaluation of processes and procedures to support the accurate and timely collection of required documents to be in full compliance with both state and organizational criteria.

- Northwest Indiana Lighthouse Charter Schools has amended its required criteria to be in alignment with state requirements for enrollment.
 - Birth Certificate
 - Proof of Residency
 - Copy of a State Issued ID
- The campuses are currently undergoing internal audits on all files to ensure all missing required documents are obtained. This will now be a quarterly process for accountability and supportive measures.
- Families now have the option to complete the enrollment and registration processes either electronically or via paper packets.
- Weekly meetings occur among family coordinators from each campus and the enrollment lead to ensure all are frequently reminded of processes and procedures.

NORTHWEST INDIANA
LIGHTHOUSE
CHARTER SCHOOLS



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Mays Community Academy

**NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northern Rush County Schools, Incorporated
dba: Mays Community Academy
Mays, Indiana

Report on the Audit Of the Financial Statements

Opinion

We have audited the accompanying financial statements of Northern Rush County Schools, Incorporated dba: Mays Community Academy, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Rush County Schools, Incorporated dba: Mays Community Academy as of June 30, 2022 and 2021, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern Rush County Schools, Incorporated dba: Mays Community Academy and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of a Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 1 to the financial statements, the School has experienced significant decreases in enrollment for the previous School years, which has required the School to seek out additional borrowings resulting in current liabilities being greater than current assets. The decrease in enrollment significantly reduces revenue for operations and repayment on the additional borrowings and, accordingly, the School has stated that substantial doubt exists about the School's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Rush County Schools, Incorporated dba: Mays Community Academy's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with the GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgement made by reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northern Rush County Schools, Incorporated dba: Mays Community Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Rush County Schools, Incorporated dba: Mays Community Academy's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Northern Rush County Schools, Incorporated
dba: Mays Community Academy

Report on Supplementary Information

The supplementary information is presented for the purposes of additional analysis and is 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 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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CliftonLarsonAllen LLP

Indianapolis, Indiana
March 31, 2023

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 147,034	\$ 46,413
Grants Receivable	<u>242,742</u>	<u>130,046</u>
Total Current Assets	389,776	176,459
PROPERTY AND EQUIPMENT		
Land	88,400	88,400
Buildings and Improvements	783,331	621,588
Furniture and Equipment	296,829	279,804
Software and Textbooks	90,082	90,082
Vehicles	5,000	5,000
Less: Accumulated Depreciation	<u>(405,192)</u>	<u>(349,013)</u>
Property and Equipment, Net	858,450	735,861
OTHER ASSETS		
Security Deposit	<u>3,900</u>	<u>3,900</u>
Total Assets	<u><u>\$ 1,252,126</u></u>	<u><u>\$ 916,220</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lines of Credit	\$ -	\$ 386,653
Current Portion of Notes Payable	210,565	78,082
Accounts Payable and Accrued Expenses	<u>136,402</u>	<u>120,716</u>
Total Current Liabilities	346,967	585,451
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	<u>467,810</u>	<u>266,464</u>
Total Liabilities	814,777	851,915
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>437,349</u>	<u>64,305</u>
Total Liabilities and Net Assets	<u><u>\$ 1,252,126</u></u>	<u><u>\$ 916,220</u></u>

See accompanying Notes to Financial Statements.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 1,342,220	\$ 1,522,803
Grant Revenue	1,443,909	842,436
Student Fees	73,123	63,209
Contributions	2,087	7,336
Fundraising and Other Income	91,626	61,124
Gain on Extinguishment of Payroll Protection Program Loan	-	243,954
Total Revenue and Support	<u>2,952,965</u>	<u>2,740,862</u>
EXPENSES		
Program Services	1,944,476	2,001,569
Management and General	635,445	686,403
Total Expenses	<u>2,579,921</u>	<u>2,687,972</u>
CHANGE IN NET ASSETS	373,044	52,890
Net Assets - Beginning of Year	<u>64,305</u>	<u>11,415</u>
NET ASSETS - END OF YEAR	<u><u>\$ 437,349</u></u>	<u><u>\$ 64,305</u></u>

See accompanying Notes to Financial Statements.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 942,578	\$ 290,833	\$ 1,233,411	\$ 939,494	\$ 305,275	\$ 1,244,769
Employee Benefits	268,056	104,205	372,261	284,327	90,739	375,066
Staff Development	8,011	-	8,011	5,544	-	5,544
Professional Services	220,129	144,319	364,448	86,943	185,085	272,028
Repairs and Maintenance	-	15,545	15,545	-	13,711	13,711
Authorizer Oversight Fees	-	35,608	35,608	-	39,850	39,850
Food Costs	68,164	-	68,164	68,637	-	68,637
Transportation	188,946	466	189,412	207,397	1,281	208,678
Information Technology	46,178	-	46,178	79,474	-	79,474
Advertising	-	3,448	3,448	-	370	370
Classroom, Kitchen, and Office Supplies	87,376	4,763	92,139	208,286	12,519	220,805
Occupancy	55,260	-	55,260	53,133	-	53,133
Depreciation	56,179	-	56,179	58,328	-	58,328
Interest	-	26,321	26,321	-	25,507	25,507
Insurance	2,500	-	2,500	2,500	-	2,500
Other	1,099	9,937	11,036	7,506	12,066	19,572
Total Functional Expenses	<u>\$ 1,944,476</u>	<u>\$ 635,445</u>	<u>\$ 2,579,921</u>	<u>\$ 2,001,569</u>	<u>\$ 686,403</u>	<u>\$ 2,687,972</u>

See accompanying Notes to Financial Statements.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 373,044	\$ 52,890
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	56,179	58,328
Gain on Extinguishment of Payroll Protection Program Loan	-	(243,954)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(112,696)	(18,721)
Accounts Payable and Accrued Expenses	15,686	(244)
Net Cash Provided (Used) by Operating Activities	<u>332,213</u>	<u>(151,701)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(178,768)	(15,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Lines of Credit, Net	23,346	229,349
Repayment of Notes Payable	(76,170)	(74,033)
Net Cash Provided (Used) by Financing Activities	<u>(52,824)</u>	<u>155,316</u>
NET CHANGE IN CASH	100,621	(12,098)
Cash - Beginning of Year	<u>46,413</u>	<u>58,511</u>
CASH - END OF YEAR	<u><u>\$ 147,034</u></u>	<u><u>\$ 46,413</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 26,321</u></u>	<u><u>\$ 25,507</u></u>
Refinance of Line of Credit to Note Payable	<u><u>\$ 409,999</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Northern Rush County Schools, Incorporated dba: Mays Community Academy (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School is sponsored by Ball State University and operates a public charter school established under Indiana Code 20-24. The School served approximately 150 and 184 students during the years ended June 30, 2022 and 2021, respectively, in grades kindergarten through eight.

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 primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic School year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022 and 2021, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees, fundraising, and other income is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts received prior to the service is performed is reported as deferred revenue in the statement of financial position. As of June 30, 2022 and 2021, the School did not have any such deferred revenue.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants

The School receives income from contributions and grants that support certain school activities. Such revenue received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. The School reports gifts of cash and other assets and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purposes restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restriction. The School did not have any net assets with donor restrictions as of June 30, 2022 and 2021.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

Grants Receivable

Grants receivable relate primarily to activities funded under federal programs. 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

Northern Rush County Schools, Incorporated has received a determination from the U.S. Internal Revenue Service 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, 2022 and 2021, 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2017 are open to audit for both federal and state purposes.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$500 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:

Buildings and Improvements	7 to 40 Years
Furniture and Equipment	5 to 10 Years
Software and Textbooks	3 to 5 Years
Vehicles	10 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Going Concern Considerations

The accompanying financial statements have been prepared assuming the School will continue as a going concern. For the year ended June 30, 2022, the School saw a significant decrease in enrollment, resulting in a decrease of state education support of approximately \$180,000. This required additional borrowings against the School's line of credit of approximately \$33,000. Subsequent enrollment for the fall 2022 semester saw another significant decrease to 119 enrolled students. If this trend continues, these factors could threaten the School's ability to continue as a going concern.

The School's management is aware of the negative financial results presented in the previous paragraph and has taken the following measures to improve its finances. The Board and administration of the School have been deliberate and thoughtful in determining the optimal learning environment as it navigates through learning losses during COVID-19 lockdowns. Due to the COVID-19 crisis, significant emergency funding was available to the School, which was utilized during the year ended June 30, 2022. The School has also worked with its management company to develop a budget for fiscal year 2023 that will allow the School to meet its current and upcoming obligations and strengthen its net asset position. Furthermore, the School has also worked towards a 2023-2024 budget and plan that includes eliminating the inefficient 7th and 8th grades and reducing staffing levels to align with the changes in enrollment. The School has also refinanced the outstanding debt with a financial institution through October 2027 as further described in Note 2 to the financial statements. To further assist with cash flow, subsequent to year end the School entered into an agreement with Charter School Capital to purchase certain receivables of the School.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The School evaluated subsequent events through March 31, 2023, 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.

NOTE 2 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Note payable to FCN Bank with monthly installments of \$3,298 including interest at 6.25% annum, maturing in July 2024. In October 2022, this was refinanced into the note below.	\$ -	\$ 110,796
Note payable (resulting from refinance of previous loan and lines of credit in October 2022) to FCN Bank with monthly installments of \$7,057 including interest at 6.5% annum, maturing in October 2027.	487,125	-
Note payable to Indiana State Board of Education, payable \$21,250 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, maturing in July 2026.	<u>191,250</u>	<u>233,750</u>
Total	678,375	344,546
Less: Current Portion	<u>(210,565)</u>	<u>(78,082)</u>
Long-Term Portion	<u><u>\$ 467,810</u></u>	<u><u>\$ 266,464</u></u>

Principal maturities of notes payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 210,565
2024	108,382
2025	112,795
2026	138,752
2027	80,025
Thereafter	27,856
Total	<u><u>\$ 678,375</u></u>

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 DEBT EXTINGUISHMENT

On April 15, 2020, the School received proceeds in the amount of \$243,954 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan was formally forgiven by the U.S. Small Business Administration (SBA) on April 5, 2021. Accordingly, the School recognized a gain on the extinguishment of debt of \$243,954 during the year ended June 30, 2021. This amount is included in the accompanying statement of activities.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

NOTE 4 LINES OF CREDIT

During the year ended June 30, 2019, the School entered into two line of credit arrangements with FCN Bank. The first line of credit has a \$300,000 borrowing capacity and incurred interest at 6.5% per annum, maturing October 2019. This was extended to October 2022 with an interest rate of 5%. The second line of credit has a \$120,000 borrowing capacity and incurred interest at 6.5% per annum, maturing August 2019. This was extended to October 2022 with an interest rate of 4.5%. The balance of the lines of credit as of June 30, 2021 was \$386,653, respectively. Subsequent to year-end, the two lines of credit were refinanced with the outstanding note payable into one note payable as noted in Note 2.

NOTE 5 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board.

Contribution requirements of plan members are determined annually by the INPRS Board. For the years ended June 30, 2022 and 2021, the School contributed 5.5% of compensation for eligible teaching personnel to TRF and 11.2% for other employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively. The School's total retirement expense was \$52,348 and \$43,396 for the years ended June 30, 2022 and 2021, respectively.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$35,608 and \$39,850 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2023 and is renewable thereafter by mutual consent. Subsequent to year-end, the School withdrew the charter renewal application with Ball State University thus the current charter will end June 30, 2023 unless the School applies for charter authorization from a different authorizer.

The School contracted with Indiana Charters LLC, a for-profit organization incorporated in the state of Indiana, to perform data management, financial, administrative, and general operational support services. Expenses under this contract were \$106,332 and \$81,825 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Rush and surrounding counties 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 grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the School. Additionally, the School is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability 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, 2021, substantially all of the receivable balance was due from the state of Indiana. In addition, bank deposits are maintained primarily at FCN Bank, and are insured up to the Federal Deposit Insurance Corporation (FDIC) limit.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including an increase in nutrition and other grant funding. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash and grants receivable which total \$386,180 and \$176,459 in 2022 and 2021, respectively.

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the School has a \$10,001 and \$33,347 line of credit available as of June 30, 2022 and 2021, respectively.

NOTE 9 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

NOTE 10 RELATED PARTY TRANSACTIONS

The School contracts with a transportation company that is owned by the husband of the Board Treasurer. The School uses the transportation company for busing services and also employs two relatives of the Board Treasurer. Expenses under this relationship during the years ended June 30, 2022 and 2021 were \$186,244 and \$192,592, respectively, for transportation and \$-0- and \$10,769, respectively, for labor.

**NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Northern Rush County Schools, Incorporated
dba: Mays Community Academy

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*.

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Mays Community Academy	Mays Community Academy Pre-K	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ (39,133)	\$ 186,167	\$ -	\$ 147,034
Grants Receivable	242,742	-	-	242,742
Total Current Assets	203,609	186,167	-	389,776
PROPERTY AND EQUIPMENT				
Land	88,400	-	-	88,400
Buildings and Improvements	783,331	-	-	783,331
Furniture and Equipment	296,829	-	-	296,829
Software and Textbooks	90,082	-	-	90,082
Vehicles	5,000	-	-	5,000
Less: Accumulated Depreciation	(405,192)	-	-	(405,192)
Property and Equipment, Net	858,450	-	-	858,450
OTHER ASSETS				
Security Deposit	3,900	-	-	3,900
Total Assets	<u>\$ 1,065,959</u>	<u>\$ 186,167</u>	<u>\$ -</u>	<u>\$ 1,252,126</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Lines of Credit	\$ -	\$ -	\$ -	\$ -
Current Portion of Notes Payable	210,565	-	-	210,565
Accounts Payable and Accrued Expenses	118,280	18,122	-	136,402
Total Current Liabilities	328,845	18,122	-	346,967
LONG-TERM LIABILITIES				
Notes Payable, Net of Current Portion	467,810	-	-	467,810
Total Liabilities	796,655	18,122	-	814,777
NET ASSETS WITHOUT DONOR RESTRICTIONS				
Undesignated	269,304	168,045	-	437,349
Total Liabilities and Net Assets	<u>\$ 1,065,959</u>	<u>\$ 186,167</u>	<u>\$ -</u>	<u>\$ 1,252,126</u>

NORTHERN RUSH COUNTY SCHOOLS, INCORPORATED
DBA: MAYS COMMUNITY ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Mays Community Academy	Mays Community Academy Pre-K	Total
REVENUE AND SUPPORT			
State Education Support	\$ 1,342,220	\$ -	\$ 1,342,220
Grant Revenue	1,257,742	186,167	1,443,909
Student Fees	12,910	60,213	73,123
Contributions	2,087	-	2,087
Fundraising and Other Income	91,626	-	91,626
Total Revenue and Support	<u>2,706,585</u>	<u>246,380</u>	<u>2,952,965</u>
EXPENSES			
Program Services	1,883,133	61,343	1,944,476
Management and General	635,445	-	635,445
Total Expenses	<u>2,518,578</u>	<u>61,343</u>	<u>2,579,921</u>
CHANGE IN NET ASSETS	188,007	185,037	373,044
Net Assets - Beginning of Year	<u>81,297</u>	<u>(16,992)</u>	<u>64,305</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u><u>\$ 269,304</u></u>	<u><u>\$ 168,045</u></u>	<u><u>\$ 437,349</u></u>



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**NORTHERN RUSH COUNTY SCHOOLS, INC.
DBA: MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA**

SUPPLEMENTAL AUDIT REPORT

JULY 1, 2021 TO JUNE 30, 2022



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**NORTHERN RUSH COUNTY SCHOOLS, INC.
DBA: MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA
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**NORTHERN RUSH COUNTY SCHOOLS, INC.
DBA: MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Board President	Nansi Custer	07/01/2021 – 06/30/2022
Board Treasurer	Marcia Schwering	07/01/2021 – 06/30/2022
Principal	Lauren Yoke	09/15/2021 – 06/30/2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northern Rush County Schools, Inc.
dba: Mays Community Academy
Mays, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Northern Rush County Schools, Inc. dba: Mays Community Academy, as of and for the year ended June 30, 2022, and have issued our report thereon dated March 31, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 31, 2023

**NORTHERN RUSH COUNTY SCHOOLS, INC.
DBA: MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

PAYROLL TESTING

For the year ended June 30, 2022, during our testing of payroll disbursements we noted that of our sample of twenty-five (25) payments made to individuals that none of the individuals had signed and approved contracts for employment.

The charter school shall maintain adequate supporting documentation for payroll to ensure that payments are made only for services rendered. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 8)

All compensation and benefits paid to employees must be included in the labor contract or salary schedule unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 10)

AVERAGE DAILY MEMBERSHIP (ADM) TESTING – REPORTING CERTIFICATIONS

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. During the testing of the ADM certifications, we were unable to determine complete certification and timely submission as the membership count date ADM report provided did not include certifications and submission data for the Fall 2021 count date.

The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

**NORTHERN RUSH COUNTY SCHOOLS, INC.
DBA: MAYS COMMUNITY ACADEMY
RUSH COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Nansi Custer, Board President, and Kevin Davis, Indiana Charters on March 31, 2023. The Official Response has been made a part of this report and may be found on page 5.



Northern Rush County Schools Inc.

929 E. South Street
Mays Indiana 46155

March 29, 2023

AVERAGE DAILY MEMBERSHIP (ADM) TESTING – CERTIFICATIONS

The conversion to Data Exchange reporting of all school data has been in a transition. Our data vendor submitted a letter / ticket to the Indiana Department of Education (call number 3437735 on August 1 stating that signed certifications were not available for download as promised. A response was issued:

“Kevin,

Others have begun asking about retrieving historical data. IDOE development team are aware of this request and are working on a solution. Please continue to watch the Announcement in Moodle for updates to this request.”

The ticket was subsequently closed with a response to our management organization or other schools that experienced the same problem. The unsigned copy was presented to the audit team.

PAYROLL TESTING

The board is aware of this deficiency which was the result of a leadership transition. The board will directly monitor the correct implementation in the future. The board has implemented a new policy in reference to employee contract records. The employment contracts will be saved electronically as well as hard copy in a secured location so this situation will never happen again.

Ylonsi Custer

Nansi Custer

NRCS Board President



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Neighbors' New Vistas High School

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Neighbors' Educational Opportunities, Inc.
Portage, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Neighbors' Educational Opportunities, Inc. (the Corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is 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 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
June 1, 2023

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 89,616	\$ 399,891
Grants Receivable	196,455	221,967
Other Receivables	4,406	3,112
Total Current Assets	<u>290,477</u>	<u>624,970</u>
PROPERTY AND EQUIPMENT		
Land	835,000	835,000
Buildings and Improvements	3,995,999	3,995,999
Furniture and Equipment	547,244	547,244
Less: Accumulated Depreciation	<u>(1,145,989)</u>	<u>(969,143)</u>
Property and Equipment, Net	4,232,254	4,409,100
OTHER ASSETS		
Security Deposit	<u>7,443</u>	<u>10,833</u>
Total Assets	<u><u>\$ 4,530,174</u></u>	<u><u>\$ 5,044,903</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 316,642	\$ 294,052
Line of Credit	55,000	-
Accounts Payable and Accrued Expenses	102,754	128,293
Security Deposit	2,882	2,882
Total Current Liabilities	<u>477,278</u>	<u>425,227</u>
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	3,152,320	3,463,832
Loan Payable Under Paycheck Protection Program	-	312,200
Total Long-Term Liabilities	<u>3,152,320</u>	<u>3,776,032</u>
Total Liabilities	3,629,598	4,201,259
NET ASSETS		
Without Donor Restrictions	<u>900,576</u>	<u>843,644</u>
Total Liabilities and Net Assets	<u><u>\$ 4,530,174</u></u>	<u><u>\$ 5,044,903</u></u>

See accompanying Notes to Financial Statements.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 1,263,505	\$ 1,407,718
Grant Revenue	1,066,761	1,066,286
Student Fees	20,525	25,927
Rental Income	67,700	47,568
Contributions	40,548	66,465
Paycheck Protection Program Income	312,200	321,700
Fundraising and Other Income	3,940	115,615
Total Revenue and Support	<u>2,775,179</u>	<u>3,051,279</u>
EXPENSES		
Program Services	1,901,620	1,977,559
Management and General	816,627	706,982
Total Expenses	<u>2,718,247</u>	<u>2,684,541</u>
CHANGE IN NET ASSETS	56,932	366,738
Net Assets - Beginning of Year	<u>843,644</u>	<u>476,906</u>
NET ASSETS - END OF YEAR	<u><u>\$ 900,576</u></u>	<u><u>\$ 843,644</u></u>

See accompanying Notes to Financial Statements.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 1,039,549	\$ 418,711	\$ 1,458,260	\$ 1,108,990	\$ 347,685	\$ 1,456,675
Employee Benefits	154,986	79,334	234,320	132,869	67,385	200,254
Staff Development	2,930	-	2,930	-	-	-
Authorizer Oversight Fees	-	34,543	34,543	-	38,359	38,359
Educational Content	28,389	-	28,389	48,572	-	48,572
Food Costs	35,046	-	35,046	17,277	-	17,277
Equipment	27,445	-	27,445	53,153	-	53,153
Classroom Office Supplies	52,873	16,452	69,325	27,223	12,480	39,703
Professional Services	182,125	73,850	255,975	111,458	54,170	165,628
Occupancy	105,939	-	105,939	110,314	-	110,314
Contracted IT Services	81,552	-	81,552	79,832	-	79,832
Travel	10,605	204	10,809	203	3,974	4,177
Insurance	-	25,604	25,604	-	24,398	24,398
Advertising	-	30,146	30,146	-	16,775	16,775
Depreciation	176,846	-	176,846	176,846	-	176,846
Interest	-	124,913	124,913	1,801	133,195	134,996
Other	3,335	12,870	16,205	109,021	8,561	117,582
	<u>\$ 1,901,620</u>	<u>\$ 816,627</u>	<u>\$ 2,718,247</u>	<u>\$ 1,977,559</u>	<u>\$ 706,982</u>	<u>\$ 2,684,541</u>
Total Functional Expenses	<u>\$ 1,901,620</u>	<u>\$ 816,627</u>	<u>\$ 2,718,247</u>	<u>\$ 1,977,559</u>	<u>\$ 706,982</u>	<u>\$ 2,684,541</u>

See accompanying Notes to Financial Statements.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 56,932	\$ 366,738
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	176,846	176,846
Gain on Extinguishment of Debt	(312,200)	(321,700)
Changes in Operating Assets and Liabilities:		
Grants Receivable	25,512	(106,473)
Other Receivables and Security Deposit	2,096	4,448
Accounts Payable and Accrued Expenses	(25,539)	(11,917)
Net Cash Provided (Used) by Operating Activities	<u>(76,353)</u>	<u>107,942</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	-	(89,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Payable Under Paycheck Protection Program	-	312,200
Net Borrowings on Line of Credit	55,000	-
Principal Payments of Notes Payable	(288,922)	(188,775)
Net Cash Provided (Used) by Financing Activities	<u>(233,922)</u>	<u>123,425</u>
NET CHANGE IN CASH	(310,275)	141,967
Cash - Beginning of Year	<u>399,891</u>	<u>257,924</u>
CASH - END OF YEAR	<u><u>\$ 89,616</u></u>	<u><u>\$ 399,891</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 124,913</u></u>	<u><u>\$ 134,996</u></u>

See accompanying Notes to Financial Statements.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Neighbors' Educational Opportunities, Inc. (the Corporation) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The Corporation operates a public alternative charter high school established under Indiana Code 20-24 that served approximately 230 students during 2021-2022. The Corporation also operates a comprehensive adult education program and an official testing site for the State of Indiana's High School Equivalency diploma.

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 primarily come from conditional resources provided under the Indiana Charter Schools Act. Under the Act, the Corporation receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the Corporation's revenue is the product of cost reimbursement grants. Therefore, the Corporation recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022, the Corporation does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Grant, Contribution, and Fundraising Revenue

The Corporation receives income from grants, contributions, and fundraising that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rental Income

Rentals income is recognized when the rental event takes place and/or time period occurs.

Cash and Cash Equivalents

Cash equivalents include money market funds and time deposits with maturities of three months or less at the date of purchase.

Grants Receivable

Grants receivable relate primarily to activities funded under federal grants and legislation enacted by the state of Indiana. The Corporation believes that it is operating in compliance with regulatory requirements and as such no allowance for doubtful accounts is deemed necessary. Student fees receivable, included in other receivables, relate to unpaid student fees from the 2021-2022 school year. The Corporation believes that all balances will be collected.

Security Deposits

Security deposits consist of required deposits made with the local utility companies.

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 \$1,000 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:

Buildings and Improvements	37.5 Years
Furniture and Equipment	3 to 7 Years

Impairment of Long-Lived Assets

On an ongoing basis, the Corporation reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Corporation recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

The Corporation has received a determination from the U.S. Internal Revenue Service stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax-exempt organization; however, the Corporation would be subject to tax on income unrelated to its tax-exempt purpose. For the years ended June 30, 2022 and 2021, no accounting for federal and state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require the Corporation 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 Corporation has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the Corporation are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Board 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Corporation is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events

The Corporation evaluated subsequent events through June 1, 2023, 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.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 NOTES PAYABLE

Notes payable were comprised of the following at June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Note payable to Indiana State Board of Education, payable \$57,633 semi-annually (January 1 and July 1) plus interest at 1.00% per annum, due July 2026.	\$ 680,116	\$ 831,252
Note payable to 1st Source Bank, payable in monthly installments \$21,230 including interest at 4.25% per annum, with a balloon payment due March 2026, secured by mortgage on Corporation facilities.	2,638,946	2,776,732
EIDL note payable to 1st Source Bank, payable in monthly installments, beginning in September 2022, of \$641 including interest at 2.75% per annum, due due September 2051, secured by property owned by Corporation.	149,900	149,900
Total	<u>3,468,962</u>	<u>3,757,884</u>
Less: Current Portion	<u>(316,642)</u>	<u>(294,052)</u>
Long-Term Portion	<u><u>\$ 3,152,320</u></u>	<u><u>\$ 3,463,832</u></u>

Principal maturities of notes payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 316,642
2024	307,238
2025	313,945
2026	2,324,085
2027	79,702
Thereafter	127,350
Total	<u><u>\$ 3,468,962</u></u>

NOTE 3 LINE OF CREDIT

The Corporation maintains a revolving bank line of credit that expires on April 5, 2024. At June 30, 2022, there was a balance of \$55,000 borrowed against this line. Interest, which varies with the bank's prime rate with a floor of 3.25%, was 3.25% on June 30, 2022, and is payable monthly.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 LEASES

The Corporation leases equipment under operating lease agreements that expire in 2023 and 2024. Expense under these operating leases was \$28,418 and \$24,890 for the years ended June 30, 2022 and 2021, respectively.

A schedule of minimum lease obligations are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 17,824
2024	2,161
Total	<u>\$ 19,985</u>

NOTE 5 RETIREMENT PLAN

The Corporation maintains a Section 403(b) retirement plan. Employees may contribute up to 100% of their compensation provided they are at least 18 years of age and have at least 30 days of employment. Under the Plan, the Corporation matches up to 3% of each participant's contributions for the plan year.

Retirement plan expenses totaled \$14,353 and \$15,927 during the years ended June 30, 2022 and 2021, respectively.

NOTE 6 COMMITMENTS

The Corporation operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the Corporation has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support. Payments under this charter agreement were \$34,543 and \$38,359 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2022, and is renewable thereafter by mutual consent.

NOTE 7 RISKS AND UNCERTAINTIES

The Corporation provides educational instruction services to families residing in Porter and surrounding counties 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 grants awarded under federal programs. Any changes in state or federal legislation could significantly impact the Corporation. Additionally, the Corporation is subject to monitoring and audit by state and federal agencies. Those examinations may result in additional liability to be imposed on the Corporation.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 7 RISKS AND UNCERTAINTIES (CONTINUED)

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of receivables from the state of Indiana. At June 30, 2022 and 2021, 98% and 99% of the receivable balance was due from the state of Indiana, respectively.

The Corporation primarily maintains its cash and cash equivalents in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, the Corporation has not experienced losses in any of these accounts.

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the Corporation, COVID-19 has impacted various parts of its operations and financial results. During the 2021-2022 school year, the Corporation operated using a hybrid model allowing students to learn both remotely and in person. Management believes the Corporation is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 8 LIQUIDITY

Under ASU 2016-14, the Corporation is required to disclose the assets it has available at June 30, 2022 and 2021, to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the Corporation include cash, grants, and student fees receivable. Financial assets available at June 30, 2022 and 2021, were \$290,477 and \$624,970, respectively.

From time to time, the Corporation receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the Corporation must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the Corporation has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories is required.

NOTE 10 EXTINGUISHMENT OF DEBT

In February 2021, the Corporation received proceeds in the amount of \$312,200 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP loan was formally forgiven by the U.S. Small Business Administration (SBA) in January 2022. Accordingly, the Corporation recognized a gain on the extinguishment of debt of \$312,200 during the year ended June 30, 2022. This amount is included in income on the accompanying statement of income.

In April 2020, the Corporation received proceeds in the amount of \$321,700 to fund payroll, rent, and utilities through the Paycheck Protection Program (the PPP Loan). The PPP loan was formally forgiven by the U.S. Small Business Administration (SBA) in November of 2020. Accordingly, the Corporation recognized a gain on the extinguishment of debt of \$321,700 during the year ended June 30, 2021. This amount is included in income on the accompanying statement of income.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Corporation's financial position.

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Charter School	Adult Education Program	Total
ASSETS			
CURRENT ASSETS			
Cash	\$ 193,026	\$ (103,410)	\$ 89,616
Grants Receivable	107,326	89,129	196,455
Other Receivables	4,406	-	4,406
Interfund Receivable	-	-	-
Total Current Assets	<u>304,758</u>	<u>(14,281)</u>	<u>290,477</u>
PROPERTY AND EQUIPMENT			
Land	835,000	-	835,000
Buildings and Improvements	3,957,399	38,600	3,995,999
Furniture and Equipment	525,902	21,342	547,244
Less: Accumulated Depreciation	(1,145,989)	-	(1,145,989)
Property and Equipment, Net	<u>4,172,312</u>	<u>59,942</u>	<u>4,232,254</u>
OTHER ASSETS			
Security Deposit	<u>7,443</u>	<u>-</u>	<u>7,443</u>
Total Assets	<u><u>\$ 4,484,513</u></u>	<u><u>\$ 45,661</u></u>	<u><u>\$ 4,530,174</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Current Portion of Notes Payable	\$ 316,642	\$ -	\$ 316,642
Line of Credit	55,000	-	55,000
Accounts Payable and Accrued Expenses	102,754	-	102,754
Interfund Payable	22,080	(22,080)	-
Short-Term Note Payable	2,882	-	2,882
Total Current Liabilities	<u>499,358</u>	<u>(22,080)</u>	<u>477,278</u>
LONG-TERM LIABILITIES			
Notes Payable, Net of Current Portion	3,152,320	-	3,152,320
Loan Payable Under Paycheck Protection Program	-	-	-
Total Long-Term Liabilities	<u>3,152,320</u>	<u>-</u>	<u>3,152,320</u>
Total Liabilities	3,651,678	(22,080)	3,629,598
NET ASSETS			
Without Donor Restrictions	<u>832,835</u>	<u>67,741</u>	<u>900,576</u>
Total Liabilities and Net Assets	<u><u>\$ 4,484,513</u></u>	<u><u>\$ 45,661</u></u>	<u><u>\$ 4,530,174</u></u>

NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Charter School	Adult Education Program	Eliminations	Total
REVENUE AND SUPPORT				
State Education Support	\$ 1,263,505	\$ -	\$ -	\$ 1,263,505
Grant Revenue	629,713	437,048	-	1,066,761
Student Fees	20,219	306	-	20,525
Rental Income	345,029	-	(277,329)	67,700
Contributions	30,548	10,000	-	40,548
Payroll Protection Program Income	312,200	-	-	312,200
Fundraising and Other Income	3,940	-	-	3,940
Total Revenue and Support	2,605,154	447,354	(277,329)	2,775,179
EXPENSES				
Program Services	1,558,252	343,368	-	1,901,620
Management and General	892,295	201,661	(277,329)	816,627
Total Expenses	2,450,547	545,029	(277,329)	2,718,247
CHANGES IN NET ASSETS	154,607	(97,675)	-	56,932
Net Assets - Beginning of Year	678,228	165,416	-	843,644
NET ASSETS - END OF YEAR	<u>\$ 832,835</u>	<u>\$ 67,741</u>	<u>\$ -</u>	<u>\$ 900,576</u>

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Neighbors' Educational Opportunities, Inc.

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*.



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SUPPLEMENTAL AUDIT REPORT
NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
JULY 1, 2021 TO JUNE 30, 2022



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**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
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**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President, Board of Directors	Deborah Birch	07/01/21 - 06/30/22
Executive Director	Rebeca Reiner	07/01/21 - 06/30/22
Business Manager	Jennifer Jennings	07/01/21 - 06/30/22



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INDEPENDENT AUDITORS' REPORT

School Officials
Neighbors' Educational Opportunities, Inc.
Portage, Indiana

We have audited the financial statements of Neighbors' Educational Opportunities, Inc. (the School) as of and for the year ended June 30, 2022, and have issued our report thereon dated June 1, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. The School did not have any findings related to the Indiana State Board of Accounts compliance guidelines.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
June 1, 2023

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

No findings noted for the period of July 1, 2021, to June 30, 2022.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with management on June 1, 2023.

**NEIGHBORS' EDUCATIONAL OPPORTUNITIES, INC.
PORTER COUNTY, INDIANA
OFFICIAL RESPONSE
JULY 1, 2021 TO JUNE 30, 2022**

No findings noted for the period of July 1, 2021 to June 30, 2022, that required an official response.



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Options Charter Schools
**(Options does provide separate schedules of financial
position by individual school)**

OPTIONS CHARTER SCHOOLS AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022



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**OPTIONS CHARTER SCHOOLS AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Options Charter Schools and Affiliates
Noblesville, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Options Charter Schools and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Options Charter Schools and Affiliates as of June 30, 2022, and the changes in its net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Options Charter Schools and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Options Charter Schools and Affiliates ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Options Charter Schools and Affiliates' internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Options Charter Schools and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is 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 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 29, 2023

OPTIONS CHARTER SCHOOLS AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

CURRENT ASSETS

Cash	\$ 522,354
Cash - Restricted	53,413
Grants Receivable	84,522
Prepaid Expenses	110,456
Interest Rate Swap	372,635
Total Current Assets	<u>1,143,380</u>

PROPERTY AND EQUIPMENT

Land	1,313,089
Building and Improvements	3,368,367
Leasehold Improvements	37,274
Automobiles	41,527
Furniture and Equipment	2,829,013
Less: Accumulated Depreciation	<u>(715,757)</u>
Property and Equipment, Net	<u>6,873,513</u>
 Total Assets	 <u><u>\$ 8,016,893</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Current Portion of Note Payable	\$ 363,529
Deferred Revenue	25,000
Security Deposit	3,200
Accounts Payable and Accrued Expenses	434,115
Total Current Liabilities	<u>825,844</u>

LONG-TERM LIABILITIES

Note Payable, Net of Current Portion	<u>4,210,383</u>
Total Liabilities	5,036,227

NET ASSETS, WITHOUT DONOR RESTRICTIONS

	<u>2,980,666</u>
Total Liabilities and Net Assets	<u><u>\$ 8,016,893</u></u>

See accompanying Notes to Consolidated Financial Statements.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2022

REVENUE AND SUPPORT

State Education Support	\$ 7,039,260
Contributions and Donations	30,053
Grant Revenue	1,551,590
In-Kind Revenue	10,285
Student Fees	26,377
Gain on Interest Rate Swap	372,635
Total Revenue and Support	<u>9,030,200</u>

EXPENSES

Program Services	6,618,716
Management and General	2,044,215
Total Expenses	<u>8,662,931</u>

CHANGE IN NET ASSETS

367,269

Net Assets - Beginning of Year

2,613,397

NET ASSETS - END OF YEAR

\$ 2,980,666

See accompanying Notes to Consolidated Financial Statements.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Total
Salaries and Wages	\$ 3,742,085	\$ 993,235	\$ 4,735,320
Employee Benefits	1,447,461	379,793	1,827,254
Occupancy	394,612	62,786	457,398
Scholarships	5,000	-	5,000
Equipment	242,245	16,578	258,823
Professional Services	327,889	176,016	503,905
Depreciation	189,917	1,871	191,788
Classroom and Office Supplies	135,708	30,933	166,641
Authorizer Oversight Fees	-	155,674	155,674
Food Service	36,742	-	36,742
Insurance	-	70,046	70,046
Transportation	35,212	9,561	44,773
Interest	-	125,691	125,691
Foundation Expenses	9,775	-	9,775
Other	52,070	22,031	74,101
	<u>52,070</u>	<u>22,031</u>	<u>74,101</u>
Total Expenses by Function	<u>\$ 6,618,716</u>	<u>\$ 2,044,215</u>	<u>\$ 8,662,931</u>

See accompanying Notes to Consolidated Financial Statements.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 367,269
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	191,788
Gain on Interest Rate Swap	(372,635)
Changes in Operating Assets and Liabilities:	
Grants Receivable	(84,522)
Prepaid Expenses	27,573
Accounts Payable and Accrued Expenses	(30,358)
Deferred Revenue	25,000
Security Deposit	3,200
Net Cash Provided by Operating Activities	<u>127,315</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(1,277,014)

CASH FLOWS FROM FINANCING ACTIVITIES

Principal Paid on Note Payable	<u>(347,990)</u>

NET CHANGE IN CASH

(1,497,689)

Cash and Restricted Cash - Beginning of Year

2,073,456

CASH AND RESTRICTED CASH - END OF YEAR

\$ 575,767

RECONCILIATION OF CASH AND RESTRICTED CASH

Cash	\$ 522,354
Cash - Restricted	53,413
Total Cash and Restricted Cash	<u><u>\$ 575,767</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash Paid for Interest	<u><u>\$ 126,821</u></u>

See accompanying Notes to Consolidated Financial Statements.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Options Charter Schools (the School) is a public benefit nonprofit organization incorporated under the laws of the state of Indiana. The School operates three public charter schools established under Indiana Code 20-24 and is sponsored by Ball State University. The School serves approximately 830 students in grades nine to twelve by providing an alternative to traditional high school programs.

Principles of Consolidation

The consolidated financial statements include the accounts of the School and its affiliate Options in Education Foundation, Inc. (Foundation) and its single member LLC's OCS Westfield, LLC and OCS Noblesville, LLC (LLC's). The School and the Foundation are consolidated due to being under common control through common board members and having a financial interest among the School and the LLC's. The LLC's were formed to hold and maintain the properties in which the School operates. All significant intercompany accounts and transactions have been eliminated in consolidation.

Accounting Estimates

The preparation of consolidated 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 primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as Deferred Revenues in the consolidated statement of financial position. As of June 30, 2022, the School does not have any conditional grants that have not been recognized as Revenue in the consolidated statement of activities and change in net assets because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Grant Revenue

Grant revenues relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Donations, Grant Revenue, and Student Fees

The School receives income from contributions and donations, grant revenue, and student fees that support certain school activities. Grant revenues relate primarily to activities funded under federal programs and legislation enacted by the state of Indiana. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to Net Assets Without Donor Restrictions and reported in the consolidated statement of activities and change in net assets as Net Assets Released from Restrictions. The School, Foundation, and LLC's did not have any net assets with donor restrictions as of June 30, 2022.

Cash, Restricted Cash, and Cash Equivalents

Cash and restricted cash consists of cash held in bank accounts, and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022.

Restricted cash represents resources unavailable for use as it represents escrowed construction loan funds at the time of conversion of the construction loan to the loan as described in Note 2.

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 \$5,000 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:

Building and Leasehold Improvements	5 to 40 Years
Furniture and Equipment	3 to 7 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School and LLC's review its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School and LLC's recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

The School and Foundation have received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) as a tax-exempt organization; however, the School and Foundation would be subject to tax on income unrelated to its tax-exempt purpose. For the year ended June 30, 2022, no accounting for federal and state income taxes was required to be included in the accompanying consolidated financial statements.

Professional accounting standards require the School and Foundation 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 and Foundation have examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The U.S. federal and state income tax returns of the School and Foundation are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a Right-of-Use Asset and Lease Liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021. The School, Foundation, and LLC's are currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Subsequent Events

The School, Foundation, and LLC's have evaluated subsequent events through March 29, 2023, the date these consolidated financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the consolidated financial statements or related disclosures would be required.

Subsequent to year-end, the School Corporation's petition to the State Board of Education (SBOE) was agreed to for student support payments not received in the amount of \$363,000.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 NOTES PAYABLE

At June 30, 2022, the notes payable consisted of the following:

<u>Description</u>	<u>Amount</u>
Note payable to the Indiana State Board of Education, payable \$112,900 semi-annually (January 1 and July 1) plus interest at 1.00% per annum.	\$ 1,016,102
Construction note payable to First Financial Bank, subject to conversion to mini-permanent term loan for 108 months upon completion of construction. Loan was converted to term in July 2021 and is due July 2030. Interest at 3.27%, secured by building and guaranteed by the School and Foundation.	3,557,810
Total	<u>4,573,912</u>
Less: Current Portion	<u>(363,529)</u>
Notes Payable, Net of Current Portion	<u><u>\$ 4,210,383</u></u>

The note payable to the Indiana State Board of Education is the result of the Common School Funds Charter School Innovation Fund Advancement program. This note is secured by the School's future tuition support payments on the School's basic grant. The school paid \$347,990 on this loan in the year ending June 30, 2022.

Principal maturities of the notes payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 363,529
2024	367,806
2025	372,829
2026	377,717
2027	269,867
Thereafter	2,822,164
Total	<u><u>\$ 4,573,912</u></u>

The note payable to First Financial Bank contains certain reporting and financial covenants. As of June 30, 2022, the School was not in compliance with one of the financial covenants. This covenant was waived at June 30, 2022.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 INTEREST RATE SWAP

In July 2020, the OCS Westfield, LLC entered into an interest rate swap transaction with First Financial Bank. This is guaranteed by the School and Foundation. OSC Westfield, LLC uses the interest rate swap to convert its variable rate debt to a fixed rate as a cash-flow hedge. OSC Westfield, LLC is exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap agreement. However, OSC Westfield, LLC does not anticipate nonperformance by the counterparty.

The agreement that took effect on July 1, 2021 (in conjunction with the conversion of the construction loan to term) effectively changes OSC Westfield, LLC's interest rate exposure on its floating rate note payable to 3.27%. This interest rate swap agreement matures on July 24, 2030. This agreement had a total notional principal in the amount of \$3,557,810 at June 30, 2022.

The effective portion of the gain or loss on the interest rate swap is reported as Revenues and Expenses in the consolidated statement of activities and change in net assets in the same period or periods during which the hedged transaction affects the consolidated statement of activities and change in net assets. Gains and losses on the interest rate swap representing either hedge ineffectiveness, or excluded from the assessment of hedge effectiveness, is recognized in the consolidated statement of activities and change in net assets as Revenue and Expenses.

NOTE 4 LINE OF CREDIT

On June 2, 2021, the School entered into a \$150,000 line of credit with First Financial Bank that remains in effect until June 2, 2023. The line bears interest at a floating rate per annum equal to the Prime Rate (4.75% at June 30, 2022), is secured by all assets of the School, Foundation, and LLC's, and guaranteed by the Foundation and LLC's. The line has no amounts drawn against it as of June 30, 2022.

The line of credit is subject to the same financial covenants described at Note 2.

NOTE 5 LEASES

The School leases its facilities and certain items of office equipment under operating leases, which require various monthly payments over the life of the leases. Total expense under these operating leases was \$556,375 for the year ended June 30, 2022.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 LEASES (CONTINUED)

Future minimum lease obligations are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 195,761
2024	146,184
2025	140,506
2026	94,963
2027	5,112
Thereafter	-
Total	<u>\$ 582,526</u>

NOTE 6 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was \$155,674 for the year ended June 30, 2022. The charter remains in effect until June 30, 2026, and is renewable thereafter by mutual consent.

NOTE 7 RELATED PARTIES

The School also employs several members of the superintendent's family. The School paid these individuals \$127,151 during the year ended June 30, 2022.

NOTE 8 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 8.5% of compensation for electing teaching faculty to TRF and 14.2% of compensation for other electing employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 RETIREMENT PLANS (CONTINUED)

TRF eligible employees can also elect to participate in a School-sponsored 403(B) plan in lieu of the State of Indiana – INPRS plan. The School contributes 8.5% of participant compensation to the 403(b) plan.

Full-time employees may also choose to participate in a voluntary salary reduction 403(b) plan. The School will match the employee's contribution up to 1% of their gross wages.

Retirement plan expense was \$517,760 for the year ended June 30, 2022.

NOTE 9 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Hamilton and surrounding counties 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 grants awarded under federal programs. 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 liability to be imposed on the School.

The School and its affiliates maintain cash in various accounts at various financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. At times, amounts on deposit may exceed insured limits or include unsecured accounts. To date, the School and its affiliates have not experienced losses in any of these accounts.

During the year ended June 30, 2020, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including an increase in technology, social distancing, and related costs. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022, to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for the School include cash, cash – restricted, and grants receivable totaling \$660,289 at June 30, 2022, of which \$606,876 is available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 11 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. Certain expenses have been allocated between program services and management and general expenses. Employee benefits, transportation, office supplies, and other expenses are allocated based on individual employees' function. Occupancy and depreciation expenses are allocated based on their location due to the schools and the administrative facilities are at discreet locations.

**OPTIONS CHARTER SCHOOLS AND AFFILIATES
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Options Charter Schools

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*.

OPTIONS CHARTER SCHOOLS AND AFFILIATES
SCHEDULE OF CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Options Charter Schools	Options in Education Foundation, Inc.	OCS Noblesville, LLC	OCS Westfield, LLC	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash	\$ 437,651	\$ 63,596	\$ 21,107	\$ -	\$ -	\$ 522,354
Cash - Restricted	-	-	-	53,413	-	53,413
Grants Receivable	84,522	-	-	-	-	84,522
Related Party Receivable	-	-	-	34,891	(34,891)	-
Prepaid Expenses	101,072	-	-	9,384	-	110,456
Interest Rate Swap	-	-	-	372,635	-	372,635
Total Current Assets	623,245	63,596	21,107	470,323	(34,891)	1,143,380
PROPERTY AND EQUIPMENT						
Land	-	-	-	1,313,089	-	1,313,089
Building and Improvements	-	-	-	3,368,367	-	3,368,367
Leasehold Improvements	37,274	-	-	-	-	37,274
Automobiles	41,527	-	-	-	-	41,527
Furniture and Equipment	336,983	-	2,322,948	169,082	-	2,829,013
Less: Accumulated Depreciation	(266,512)	-	(354,919)	(94,326)	-	(715,757)
Property and Equipment, Net	149,272	-	1,968,029	4,756,212	-	6,873,513
Total Assets	<u>\$ 772,517</u>	<u>\$ 63,596</u>	<u>\$ 1,989,136</u>	<u>\$ 5,226,535</u>	<u>\$ (34,891)</u>	<u>\$ 8,016,893</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Portion of Note Payable	\$ 225,800	\$ -	\$ -	\$ 137,729	\$ -	\$ 363,529
Deferred Revenue	-	-	4,000	21,000	-	25,000
Security Deposit	-	-	1,600	1,600	-	3,200
Accounts Payable and Accrued Expenses	434,115	-	-	-	-	434,115
Total Current Liabilities	659,915	-	5,600	160,329	-	825,844
LONG-TERM LIABILITIES						
Note Payable, Net of Current Portion	790,302	-	-	3,420,081	-	4,210,383
Total Liabilities	1,450,217	-	5,600	3,580,410	-	5,036,227
NET ASSETS (DEFICIT), WITHOUT DONOR RESTRICTIONS	(677,700)	63,596	1,983,536	1,646,125	(34,891)	2,980,666
Total Liabilities and Net Assets	<u>\$ 772,517</u>	<u>\$ 63,596</u>	<u>\$ 1,989,136</u>	<u>\$ 5,226,535</u>	<u>\$ (34,891)</u>	<u>\$ 8,016,893</u>

OPTIONS CHARTER SCHOOLS AND AFFILIATES
SCHEDULE OF CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Options Charter Schools	Options in Education Foundation, Inc.	OCS Noblesville, LLC	OCS Westfield, LLC	Eliminations	Total
REVENUE AND CONTRIBUTED SUPPORT						
REVENUE AND SUPPORT						
State Education Support	\$ 7,039,260	\$ -	\$ -	\$ -	\$ -	\$ 7,039,260
Contributions and Donations	111,940	28,299	-	-	(110,186)	30,053
Grant Revenue	1,551,590	-	-	-	-	1,551,590
In-Kind Revenue	-	-	10,285	-	-	10,285
Student Fees	24,356	2,021	-	-	-	26,377
Rent Revenue	-	-	85,776	312,000	(397,776)	-
Other Income	-	47,000	-	-	(47,000)	-
Gain on Interest Rate Swap	-	-	-	372,635	-	372,635
Total Revenue and Support	<u>8,727,146</u>	<u>77,320</u>	<u>96,061</u>	<u>684,635</u>	<u>(554,962)</u>	<u>9,030,200</u>
EXPENSES						
Program Services	6,823,325	5,980	72,527	224,846	(507,962)	6,618,716
Management and General	1,912,946	16,018	311	161,940	(47,000)	2,044,215
Total Expenses	<u>8,736,271</u>	<u>21,998</u>	<u>72,838</u>	<u>386,786</u>	<u>(554,962)</u>	<u>8,662,931</u>
CHANGE IN NET ASSETS	(9,125)	55,322	23,223	297,849	-	367,269
Net Assets - Beginning of Year	<u>(668,575)</u>	<u>8,274</u>	<u>1,960,313</u>	<u>1,348,276</u>	<u>(34,891)</u>	<u>2,613,397</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ (677,700)</u>	<u>\$ 63,596</u>	<u>\$ 1,983,536</u>	<u>\$ 1,646,125</u>	<u>\$ (34,891)</u>	<u>\$ 2,980,666</u>



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**SUPPLEMENTAL AUDIT REPORT
OF
OPTIONS CHARTER SCHOOLS, INC.**

HAMILTON COUNTY, INDIANA

JULY 1, 2021 TO JUNE 30, 2022



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**OPTIONS CHARTER SCHOOLS
HAMILTON COUNTY, INDIANA
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**OPTIONS CHARTER SCHOOLS
HAMILTON COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
Chairman of Board of Directors	Matt Abbott	07/01/2021 – 06/30/2022
School President and CEO	Mike Gustin	07/01/2021 – 06/30/2022
CFO	Jake Brandau	07/01/2021 – 06/30/2022
School Treasurer	Jack Colwell	07/01/2021 – 06/30/2022



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Options Charter Schools, Inc.
Carmel, Indiana

We have audited the financial statements of Options Charter Schools, Inc. (the School) as of and for the year ended June 30, 2022 and have issued our report thereon dated March 29, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 29, 2023

**OPTIONS CHARTER SCHOOLS
HAMILTON COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

AVERAGE DAILY MEMBERSHIP (ADM) TESTING

Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. During our testing of ADM, we noted there were twenty-nine (29) students out of 90 selections where the School did not maintain consistent and complete enrollment records.

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil." An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20-43-4-1." IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9).

PREPARATION OF FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) AND SIGNIFICANT AUDIT ADJUSTMENTS

Numerous audit adjustments were detected as a result of audit procedures related to properly recording of property and equipment activity (approximately \$298,000), grants receivable (approximately \$85,000), accrued expenses (approximately \$103,000), interest rate swap (approximately \$373,000), and related revenue and expenses for those items. As a result, these accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around property and equipment activity, cut-off for accruals, interest rate swap valuation, and financial statement preparation are an important element of internal controls.

Indiana Code 20-24-7-1 provides that "...The state examiner shall establish guidelines and prescribe reporting requirements for organizers under this section that are consistent with generally accepted accounting principles (GAAP)..."

Charter schools shall have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records, and financial statements about incorrect decision making. (Accounting and Uniform Compliance Guidelines for Indiana Charter Schools, Part 10)

**OPTIONS CHARTER SCHOOLS
HAMILTON COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Jack Colwell, School Treasurer, Jake Brandau, Controller, Mike Gustin, CEO and John Kerr, Board Member on March 28, 2023. The officials concurred with our audit findings. The Official Response has been made a part of this report and may be found starting on page 5.



Date: March 27th, 2023

To: CliftonLarsonAllen LLP

From: Jacob Brandau, Chief Financial Officer

Reason: **Audit Response for Options Schools, Inc.**

Issue One: ADM TESTING

Enrollment documents and attendance records are required to be maintained by the School in accordance with guidance by the Indiana Department of Education (IDOE). The School has a written policy stating the documents required to be obtained at enrollment. During our testing of ADM, we noted there were sixteen (29) students out of 90 selections where the School did not maintain consistent and complete enrollment records. Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) that substantiate the number of students claimed for ADM. A student claimed for ADM must be an “eligible pupil.” An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: “‘Eligible pupil’ refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1.” IC 20-43-1-11.5 defines “Enrolled” as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines “Attending” as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered. The Organizer is responsible for reporting ADM to the Indiana Department of Education (IDOE). The ADM Summary Report shall provide a written certification of ADM to properly document responsibility. The ADM Summary Report must be signed by the Superintendent/Principal/Director of Schools and the Trustee/Corporate Treasurer and be uploaded to IDOE for each reporting period in the fiscal year. Supporting documentation of enrollment and attendance/engagement information by grade and school must be maintained for audit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

Issue One: Response

Many of the issues in documents are related to students that enrolled prior to 20/21 and 21/22 school year. We have instituted the creation of a central office enrollment team to request, receive and manage all of the enrollment documents for new students and existing students that have been in our system since as early as the 17/18 school year. Additionally, with the increased oversight of ADM count information, OCS has instituted an ADM testing internal control that will consist of monthly samples of student registration, attendance, and proof of residency by the CFO to insure completeness and accuracy of records per the SBOA’s guidelines.



Issue Two: AUDIT ADJUSTMENTS

Numerous audit adjustments were detected as a result of audit procedures related to properly recording of property and equipment activity, approximately \$298,000), grants receivable (approximately \$85,000), accrued expenses (approximately \$103,000), interest rate swap (approximately \$373,000), and related revenue and expenses for those items. As a result, these accounts were materially misstated and are considered a material weakness in internal controls. Proper procedures around property and equipment activity, cut-off for accruals, interest rate swap valuation, and financial statement preparation are an important element of internal controls.

Issue Two: Response

Options Schools, Inc. (OCS) and Options In Education Foundation, Inc. (OIEF) financial statements are maintained separately. For the last two fiscal years, our auditor's guidance interpretation is that multiple legal entities that have common board members require those entities' financial statements be consolidated into one report. Historically, the conversion to and maintenance of accrual records for both entities has been performed by an outside CPA. This sometimes results in miscommunications leading to missing or inaccurate accrual entries.

OCS Items:

This was the case for the school accrued payroll expense calculation variance of \$103,000. The error was discovered by Options' Treasurer, immediately corrected, and revised documents submitted for audit. Options has corrected this process by identifying the source of the miscommunication and will be preparing the initial accrual calculation in house in the future.

Historically, revenue receivables have not been included in OCS fiscal year-end financial statements. This omission resulted from a legacy process of converting cash basis accounting data to accrual basis records. Revenue receivables will be included in all future GAAP based fiscal year-end accrual financial statements.

OIEF Items:

Assets: In about July 2022, a newly constructed school building costing around \$5MM was placed in service. On the final construction draw report, one large expense item was recorded twice under different descriptions. This resulted in that asset value being recorded twice, while the total reported expenses still balanced. OCS Treasurer identified the specific error and in conjunction with our outside CPA, the error was corrected. Revised asset documents were submitted for audit. Options works diligently to ensure all depreciable assets are expensed and recorded according to SBOA and GAAP guidelines.

The new building was partially financed by an interest rate SWAP agreement. The periodic valuation of the SWAP contract can be complicated. We were aware of this asset in advance of the audit and engaged the audit firm to prepare that calculation for inclusion in the audited financial statements. We now receive that valuation monthly from the lender and will include it in the initial year-end accrual balance sheet submitted for audit.



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Renaissance Academy Charter School

RENAISSANCE ACADEMY, INC.
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**
YEARS ENDED JUNE 30, 2022 AND 2021



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RENAISSANCE ACADEMY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Renaissance Academy, Inc.
La Porte, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Renaissance Academy, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Renaissance Academy, Inc. as of June 30, 2022 and 2021, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Renaissance Academy, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Renaissance Academy, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Renaissance Academy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Renaissance Academy, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is 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 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 10, 2023

RENAISSANCE ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 894,421	\$ 673,627
Grants Receivable	229,700	204,875
Other Receivables, Net of Allowance for Doubtful Accounts	38,414	59,669
Prepaid Expenses and Other Assets	<u>14,882</u>	<u>300</u>
Total Current Assets	1,177,417	938,471
PROPERTY AND EQUIPMENT		
Land	355,346	355,346
Buildings and Improvements	784,541	777,541
Leasehold Improvements	682,060	649,329
Furniture and Equipment	174,472	174,472
Vehicles	72,622	57,916
Textbooks	33,712	33,712
Less: Accumulated Depreciation	<u>(945,813)</u>	<u>(894,217)</u>
Property and Equipment, Net	1,156,940	1,154,099
Total Assets	<u><u>\$ 2,334,357</u></u>	<u><u>\$ 2,092,570</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Notes Payable	\$ 40,859	\$ 39,170
Accounts Payable and Accrued Expenses	118,203	95,975
Deferred Revenue	<u>83,902</u>	<u>83,924</u>
Total Current Liabilities	242,964	219,069
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	<u>599,766</u>	<u>640,622</u>
Total Liabilities	842,730	859,691
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,491,627</u>	<u>1,232,879</u>
Total Liabilities and Net Assets	<u><u>\$ 2,334,357</u></u>	<u><u>\$ 2,092,570</u></u>

See accompanying Notes to Financial Statements.

RENAISSANCE ACADEMY, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT, WITHOUT DONOR RESTRICTIONS		
State Education Support	\$ 1,768,119	\$ 1,561,202
Grant Revenue	786,535	542,007
Student Fees	233,645	98,664
Fundraising and Other Income	11,233	5,539
Other Income	50,651	22,656
Total Revenue and Support, Without Donor Restrictions	<u>2,850,183</u>	<u>2,230,068</u>
EXPENSES		
Program Services	1,637,081	1,319,556
Management and General	954,354	788,191
Total Expenses	<u>2,591,435</u>	<u>2,107,747</u>
CHANGE IN NET ASSETS, WITHOUT DONOR RESTRICTIONS	258,748	122,321
Net Assets Without Donor Restrictions - Beginning of Year	<u>1,232,879</u>	<u>1,110,558</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u><u>\$ 1,491,627</u></u>	<u><u>\$ 1,232,879</u></u>

See accompanying Notes to Financial Statements.

RENAISSANCE ACADEMY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 859,563	\$ 489,126	\$ 1,348,689	\$ 727,454	\$ 415,601	\$ 1,143,055
Employee Benefits	233,604	174,805	408,409	214,212	139,651	353,863
Professional Services	6,444	54,508	60,952	3,223	25,024	28,247
Staff Development and Recruitment	21,225	-	21,225	543	-	543
Authorizer Oversight Fees	-	51,191	51,191	-	45,036	45,036
Food Costs	19,390	-	19,390	4,951	-	4,951
Classroom, Kitchen, and Office Supplies	92,361	33,400	125,761	67,553	23,840	91,393
Field Trips and Events	48,808	-	48,808	4,260	-	4,260
Occupancy	211,322	-	211,322	176,854	-	176,854
Repairs and Maintenance	48,098	-	48,098	41,870	-	41,870
Information Technology	-	29,482	29,482	-	32,203	32,203
Depreciation	70,275	-	70,275	77,956	-	77,956
Insurance	-	44,290	44,290	-	38,627	38,627
Interest	-	27,992	27,992	-	29,611	29,611
Transportation	23,693	-	23,693	680	-	680
Bad Debt	-	22,000	22,000	-	20,000	20,000
Other	2,298	27,560	29,858	-	18,598	18,598
Total Functional Expenses	<u>\$ 1,637,081</u>	<u>\$ 954,354</u>	<u>\$ 2,591,435</u>	<u>\$ 1,319,556</u>	<u>\$ 788,191</u>	<u>\$ 2,107,747</u>

See accompanying Notes to Financial Statements.

RENAISSANCE ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 258,748	\$ 122,321
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	70,275	77,956
Provision for (Recovery from) Bad Debts	(10,432)	10,000
Changes in Operating Assets and Liabilities:		
Grants Receivable	(24,825)	(25,606)
Other Receivables	31,687	22,586
Prepaid Expenses	(14,582)	1,465
Accounts Payable and Accrued Expenses	22,228	8,204
Deferred Revenue	(22)	11,743
Net Cash Provided by Operating Activities	<u>333,077</u>	<u>228,669</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(73,116)	(10,260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments of Notes Payable	<u>(39,167)</u>	<u>(37,549)</u>
NET CHANGE IN CASH	220,794	180,860
Cash - Beginning of Year	<u>673,627</u>	<u>492,767</u>
CASH - END OF YEAR	<u><u>\$ 894,421</u></u>	<u><u>\$ 673,627</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 27,992</u></u>	<u><u>\$ 29,611</u></u>

See accompanying Notes to Financial Statements.

RENAISSANCE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Renaissance Academy, Inc. (the School) is a public benefit nonprofit 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 Ball State University. The School served approximately 260 students in grades kindergarten to eight during the 2021-2022 school year. The School also provides an early childhood education program for children ages three and four on a fee basis.

Revenue Recognition

Revenues generally come from resources provided under the Indiana Charter Schools Act (the Act). Under the Act, the School receives an amount per student in relation to the funding received by other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and is paid in monthly installments in July through June coinciding with the academic School year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Accordingly, the School recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022 and 2021, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts unpaid after the service is performed are reported as accounts receivable in the statement of financial position. As of June 30, 2022, 2021, and 2020, the School has \$38,414, \$59,669, and \$92,255, respectively, of accounts receivable from student fees, net of allowance for doubtful accounts. Amounts received prior to service is performed are reported as deferred revenues in the statement of financial position. As of June 30, 2022, 2021 and 2020, the School has \$83,902, \$83,924, and \$72,181, respectively, of deferred revenue from student fees.

Grant, Contribution, and Fundraising Revenue

The School receives income from grants, contributions, and fundraising that support certain school activities. Such revenue received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The School reports gifts of cash and other assets and grants as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

RENAISSANCE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

Grants and Other Receivables

Grants 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 with regard to such receivables. Other receivables include student and preschool fees and are reviewed for collectability on an annual basis. The accompanying statements of financial position reflect allowances for doubtful accounts of \$31,443 and \$41,875 as of June 30, 2022 and 2021, respectively.

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 and minor replacement costs 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:

Buildings and Improvements	39 Years
Leasehold Improvements	5 to 15 Years
Furniture and Equipment	3 to 7 Years
Vehicles	5 Years
Textbooks	3 Years

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Deferred Revenue

Deferred revenue consists of enrollment fees and materials and supplies fees received as part of the enrollment process for the subsequent academic 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.

RENAISSANCE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income

Renaissance Academy, Inc. has received a determination 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, 2022 and 2021, 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2017 are open to audit for both federal and state purposes.

Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the balance sheet at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The School is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The School evaluated subsequent events through March 10, 2023, 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.

RENAISSANCE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 NOTES PAYABLE

Notes payable were comprised of the following at June:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Mortgage note payable to 1st Source Bank, payable in monthly installments of \$4,532, including interest at 5.55% per annum through September 2019. The note was refinanced with 1st Source Bank in October 2019, monthly installments of \$5,597, including interest at 4.17% per annum through September 2024. The School drew additional proceeds of \$327,681 to be used for loan closing costs, facility and grounds improvements, and operations.	\$ 640,625	\$ 679,792
Less: Current Portion	<u>(40,859)</u>	<u>(39,170)</u>
Long-Term Portion	<u><u>\$ 599,766</u></u>	<u><u>\$ 640,622</u></u>

Principal maturities of notes payable, after the October 2019 refinancing and including the additional loan proceeds, are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 40,859
2024	42,553
2025	557,213
Total	<u><u>\$ 640,625</u></u>

NOTE 3 RELATED PARTY LEASE

The School leases a portion of the School facilities from V&K, LLC under a 10-year lease that ends June 30, 2027. The lease is accounted for as an operating lease. V&K, LLC is owned by Kieran McHugh and Vicki McHugh, both of whom are employees of the School. Under the lease agreement, monthly base rent is \$8,191 (adjusted annually by the rate of inflation, as defined) and the School is responsible for all utilities and insurance on the contents. Expense under this lease was \$108,352 and \$102,531 for the years ended June 30, 2022 and 2021, respectively.

RENAISSANCE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 RELATED PARTY LEASE (CONTINUED)

Future minimum lease obligations under this lease (ignoring the annual rate of inflation adjustment) are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 98,292
2024	98,292
2025	98,292
2026	98,292
2027	98,292
Thereafter	98,292
Total	<u>\$ 589,752</u>

NOTE 4 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition payments received. Expense under this charter agreement was \$51,191 and \$45,036 for the years ended June 30, 2022 and 2021, respectively. The charter remains in effect until June 30, 2022 and is renewable thereafter by mutual consent.

NOTE 5 RETIREMENT PLANS

Retirement benefits for School employees are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board.

Contribution requirements of plan members are determined by the INPRS Board. Under the plans, for both years ended June 30, 2022 and 2021, the School contributed 5.5% of compensation for eligible teaching faculty to TRF and 11.2% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, the School could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF or PERF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

In addition, the school has a 401k program for eligible employees. Under the plan, the School matches 100% of employee contributions up to 4%.

Total retirement plan expense was \$112,930 and \$90,322 for the years ended June 30, 2022 and 2021, respectively.

RENAISSANCE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in LaPorte and surrounding counties 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 grants awarded under federal programs. 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 liability 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, 2022 and 2021, substantially all of the grants receivable balance was due from the state of Indiana. All cash deposits are maintained at 1st Source Bank and are insured up to the Federal Deposit Insurance Corporation (FDIC) insurance up to the legal limit.

The Coronavirus Disease (COVID-19) pandemic continues to have significant effects on global markets, supply chains, business, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including operating virtually for some periods of time and additional grant revenues. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 7 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash, grants receivable, and other receivables, net of allowance for doubtful accounts. Financial assets at June 30, 2022 and 2021 total \$1,162,535 and \$938,171, respectively, all of which are available to meet cash needs for general expenditures within a year.

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

RENAISSANCE ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statement of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

RENAISSANCE ACADEMY, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Renaissance Academy Charter	Renaissance Academy Pre-K	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 712,032	\$ 182,389	\$ -	\$ 894,421
Grants Receivable	229,700	-	-	229,700
Other Receivables, Net of Allowance for Doubtful Accounts	23,475	14,939	-	38,414
Prepaid Expenses	14,882	-	-	14,882
Total Current Assets	<u>980,089</u>	<u>197,328</u>	<u>-</u>	<u>1,177,417</u>
PROPERTY AND EQUIPMENT				
Land	355,346	-	-	355,346
Buildings and Improvements	784,541	-	-	784,541
Leasehold Improvements	682,060	-	-	682,060
Furniture and Equipment	174,472	-	-	174,472
Vehicles	-	72,622	-	72,622
Textbooks	33,712	-	-	33,712
Less: Accumulated Depreciation	(899,899)	(45,914)	-	(945,813)
Property and Equipment, Net	<u>1,130,232</u>	<u>26,708</u>	<u>-</u>	<u>1,156,940</u>
Total Assets	<u><u>\$ 2,110,321</u></u>	<u><u>\$ 224,036</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,334,357</u></u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Current Portion of Notes Payable	\$ 40,859	\$ -	\$ -	\$ 40,859
Accounts Payable and Accrued Expenses	118,203	-	-	118,203
Deferred Revenue	64,340	19,562	-	83,902
Total Current Liabilities	<u>223,402</u>	<u>19,562</u>	<u>-</u>	<u>242,964</u>
LONG-TERM LIABILITIES				
Notes Payable, Net of Current Portion	<u>599,766</u>	<u>-</u>	<u>-</u>	<u>599,766</u>
Total Liabilities	823,168	19,562	-	842,730
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,287,153</u>	<u>204,474</u>	<u>-</u>	<u>1,491,627</u>
Total Liabilities and Net Assets	<u><u>\$ 2,110,321</u></u>	<u><u>\$ 224,036</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,334,357</u></u>

RENAISSANCE ACADEMY, INC.
COMBINING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	Renaissance Academy Charter	Renaissance Academy Pre-K	Total
REVENUE AND SUPPORT			
State Education Support	\$ 1,768,119	\$ -	\$ 1,768,119
Grant Revenue	786,535	-	786,535
Student Fees	121,239	112,406	233,645
Fundraising and Other Income	11,233	-	11,233
Other Income	50,586	65	50,651
Total Revenue and Support	<u>2,737,712</u>	<u>112,471</u>	<u>2,850,183</u>
EXPENSES			
Program Services	1,576,114	60,967	1,637,081
Management and General	913,287	41,067	954,354
Total Expenses	<u>2,489,401</u>	<u>102,034</u>	<u>2,591,435</u>
CHANGE IN NET ASSETS	248,311	10,437	258,748
Net Assets - Beginning of Year	<u>1,038,842</u>	<u>194,037</u>	<u>1,232,879</u>
NET ASSETS - END OF YEAR	<u><u>\$ 1,287,153</u></u>	<u><u>\$ 204,474</u></u>	<u><u>\$ 1,491,627</u></u>

**RENAISSANCE ACADEMY, INC.
OTHER REPORT
YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of Renaissance Academy, Inc.

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*.



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SUPPLEMENTAL AUDIT REPORT
RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
JULY 1, 2021 TO JUNE 30, 2022



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**RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
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**RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Ann Bates	07/01/2021 – 06/30/2022
Head of School	Kieran McHugh	07/01/2021 – 06/30/2022
Administrator	Alex Gayheart	07/01/2021 – 06/30/2022



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Renaissance Academy, Inc.
La Porte, Indiana

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Renaissance Academy, Inc. (the School), as of and for the year ended June 30, 2022, and have issued our report thereon dated March 10, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 10, 2023

**RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

AVERAGE DAILY MEMBERSHIP (ADM) TESTING

Officials shall maintain records (enrollment applications, attendance records, reporting forms, etc.) which substantiate the number of students claimed for ADM. A student claimed for ADM must be an "eligible pupil". An eligible pupil is a student that is enrolled and attending. IC 20-43-1-11: "Eligible pupil" refers to an individual who qualifies as an eligible pupil under IC 20- 43-4-1". IC 20-43-1-11.5 defines "Enrolled" as registered with a school corporation to attend educational programs offered by or through the school corporation; and attending these educational programs or receiving education services. IC 20-43-1-7.5 defines "Attending" as physical or virtual presence of a student with the expectation of continued services in the education programs for which the student is registered.

The process used by the School to determine eligible pupil status resulted in two (2) students of the 52 tested being included in the ADM count that did not meet the qualifications of an eligible pupil but was included in the count date reporting and certification.

During the year ended June 30, 2022, School officials contacted the Indiana Department of Education, Division of School Finance, and determined possible steps to be taken to correct any overpayment applicable to the School because of the incorrect reporting. Corrective action completed as of June 30, 2022 as this was reconciled with the May 2022 payment.

**RENAISSANCE ACADEMY, INC.
LAPORTE COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed with Alex Gayheart (Administrator), Tina Bushue (Accountant), and Jack Stewart (Vice President of the Board) on March 10, 2023. The officials concurred with our audit finding. The Official Response has been made part of this report and may be found on page 5.



SUPPLEMENTAL AUDIT REPORT RESPONSES

AVERAGE DAILY MEMBERSHIP (ADM) TESTING

Two students, siblings, that had attended Renaissance since 2017 & 2019 were in attendance on the first day of school, 8/21/21. They indicated they were re-enrolling and would continue attending virtually as they had at the end of the 2020 school year. They were reported on both Period 1 and Period 2 Membership reports for the 2021-22 SY as it was believed by administration that they were participating virtually. In the spring, it became known by administration that they were actually not participating, and administration immediately contacted the Indiana Department of Education Finance Department to report the error and took the steps necessary to correct it. It was resolved as of May 13, 2022.

Though unlikely to occur again in the future due to year-round virtual attendance at Renaissance being a pandemic specific option, steps will be taken to confirm attendance and participation of virtual only students.

Submitted by:

Alex Gayheart
Chief Administrator



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Rock Creek Community Academy

ROCK CREEK COMMUNITY ACADEMY, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2022 AND 2021



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**ROCK CREEK COMMUNITY ACADEMY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rock Creek Community Academy, Inc.
Anderson, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rock Creek Community Academy, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rock Creek Community Academy, Inc. as of June 30, 2022 and 2021, and its changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rock Creek Community Academy, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rock Creek Community Academy, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rock Creek Community Academy, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rock Creek Community Academy, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Board of Directors
Rock Creek Community Academy, Inc.

Supplementary Information

Our audits were conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 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 GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2023 on our consideration of Rock Creek Community Academy, Inc.'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rock Creek Community Academy, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rock Creek Community Academy, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Indianapolis, Indiana
August 11, 2023

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 2,582,602	\$ 2,224,974
Cash - Restricted for Construction	-	3
Cash - Restricted for Debt Service	<u>1,827,216</u>	<u>1,764,378</u>
Total Cash	4,409,818	3,989,355
Accounts Receivable	38,435	-
Grants Receivable	132,325	142,303
Prepaid Expenses	<u>59,525</u>	<u>51,923</u>
Total Current Assets	4,640,103	4,183,581
PROPERTY AND EQUIPMENT		
Land	1,196,153	1,196,153
Leasehold Improvements	13,389,595	13,375,771
Furniture and Equipment	1,238,219	1,056,593
Textbooks	437,573	441,611
Less: Accumulated Depreciation	<u>(2,625,045)</u>	<u>(2,130,629)</u>
Property and Equipment, Net	13,636,495	13,939,499
OTHER ASSETS		
Security Deposits	<u>8,832</u>	<u>7,714</u>
Total Assets	<u><u>\$ 18,285,430</u></u>	<u><u>\$ 18,130,794</u></u>

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 485,844	\$ 708,682
Current Portion of Bonds Payable	215,000	205,000
Current Portion of Capital Leases Payable	133,520	70,440
Accrued Bond Interest Payable	427,181	431,484
Deferred Revenue	161,456	166,561
Student Activity Funds	103,810	103,518
Refundable Advances	-	6,827
Total Current Liabilities	<u>1,526,811</u>	<u>1,692,512</u>
LONG-TERM LIABILITIES		
Bonds Payable, Net of Current Portion	14,165,000	14,380,000
Plus: Unamortized Premiums on Bonds Payable	111,138	115,372
Less: Unamortized Debt Insurance Costs	(401,664)	(416,966)
Capital Leases Payable, Net of Current Portion	<u>180,290</u>	<u>210,904</u>
Total Long-Term Liabilities	<u>14,054,764</u>	<u>14,289,310</u>
Total Liabilities	15,581,575	15,981,822
NET ASSETS		
Without Donor Restrictions	<u>2,703,855</u>	<u>2,148,972</u>
Total Liabilities and Net Assets	<u><u>\$ 18,285,430</u></u>	<u><u>\$ 18,130,794</u></u>

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 4,586,140	\$ 4,280,594
Grant Revenue	2,012,106	1,609,716
Student Fees	235,526	295,555
Contributions	15,336	4,254
Fundraising Income	85,408	56,541
Forgiveness of Payroll Protection Program Loan	-	504,600
Interest Income	344	98
Gain on Disposal of Fixed Assets	8	-
Total Revenue and Support	<u>6,934,868</u>	<u>6,751,358</u>
EXPENSES		
Program Services	4,581,504	4,269,740
Management and General	1,798,481	1,817,307
Total Expenses	<u>6,379,985</u>	<u>6,087,047</u>
CHANGE IN NET ASSETS	554,883	664,311
Net Assets Without Donor Restrictions - Beginning of Year	<u>2,148,972</u>	<u>1,484,661</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u><u>\$ 2,703,855</u></u>	<u><u>\$ 2,148,972</u></u>

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Total
Salaries and Wages	\$ 2,335,432	\$ 516,941	\$ 2,852,373
Employee Benefits	539,963	97,398	637,361
Professional Services	380,915	100,540	481,455
Occupancy	126,826	-	126,826
Classroom, Kitchen, and Office Supplies	192,095	35,626	227,721
Depreciation	494,416	-	494,416
Equipment	151,809	-	151,809
Authorizer Oversight Fees	-	79,913	79,913
Food Costs	175,329	-	175,329
Field Trips	14,961	-	14,961
Insurance	-	62,120	62,120
Repairs and Maintenance	49,860	475	50,335
Advertising	1,540	7,225	8,765
Staff Development	11,120	-	11,120
Interest	-	870,562	870,562
Other	107,238	27,681	134,919
	<u>107,238</u>	<u>27,681</u>	<u>134,919</u>
Total Functional Expenses	<u>\$ 4,581,504</u>	<u>\$ 1,798,481</u>	<u>\$ 6,379,985</u>

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Total
Salaries and Wages	\$ 1,982,128	\$ 367,416	\$ 2,349,544
Employee Benefits	485,852	66,744	552,596
Professional Services	363,590	352,549	716,139
Occupancy	86,754	-	86,754
Classroom, Kitchen, and Office Supplies	344,457	17,390	361,847
Depreciation	414,376	-	414,376
Equipment	248,327	-	248,327
Authorizer Oversight Fees	-	74,648	74,648
Food Costs	133,077	-	133,077
Field Trips	7,164	-	7,164
Insurance	-	32,272	32,272
Repairs and Maintenance	43,728	763	44,491
Advertising	-	4,945	4,945
Staff Development	31,457	-	31,457
Interest	-	870,631	870,631
Other	128,830	29,949	158,779
	<u>\$ 4,269,740</u>	<u>\$ 1,817,307</u>	<u>\$ 6,087,047</u>
Total Functional Expenses	<u>\$ 4,269,740</u>	<u>\$ 1,817,307</u>	<u>\$ 6,087,047</u>

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 554,883	\$ 664,311
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	494,416	414,376
Amortization of Debt Issuance Costs	15,302	15,301
Amortization of Bond Premium	(4,234)	(4,234)
(Gain) Loss on Disposals of Property and Equipment	(8)	-
Forgiveness of Payroll Protection Program Loan	-	(504,600)
(Increase) Decrease in Assets:		
Accounts Receivable	(38,435)	-
Grants Receivable	9,978	(125,868)
Prepaid Expenses	(7,602)	(34,981)
Security Deposits	(1,118)	(3,714)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(222,838)	444,202
Student Activity Funds	292	(7,605)
Accrued Bond Interest Payable	(4,303)	(2,072)
Deferred Revenue	(5,105)	7,114
Refundable Advances	(6,827)	(8,547)
Net Cash Provided by Operating Activities	<u>784,401</u>	<u>853,683</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(44,042)	(210,957)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Bond Payable	(205,000)	(65,000)
Payments on Capital Leases	(148,974)	(75,563)
Net Cash Used by Financing Activities	<u>(353,974)</u>	<u>(140,563)</u>
NET CHANGE IN CASH AND RESTRICTED CASH	386,385	502,163
Cash and Restricted Cash - Beginning of Year	<u>3,989,355</u>	<u>3,487,192</u>
CASH AND RESTRICTED CASH - END OF YEAR	<u><u>\$ 4,375,740</u></u>	<u><u>\$ 3,989,355</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest, Including Capitalized Interest	<u><u>\$ 874,865</u></u>	<u><u>\$ 872,703</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Assets Acquired Under Capital Lease	<u><u>\$ 181,440</u></u>	<u><u>\$ 294,401</u></u>

See accompanying Notes to Financial Statements.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Rock Creek Community Academy, Inc. (the School) is a public benefit nonprofit 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 Ball State University. The School, located in Sellersburg, Indiana, provided educational instruction to students in grades kindergarten to twelve, serving approximately 635 students during the 2021 – 2022 school year and approximately 600 students during the 2020 – 2021 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 primarily 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic school year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. As of June 30, 2022 and 2021, the School had conditional grants it had received advances in excess of expenditures of \$-0- and \$6,827, respectively. Accordingly, these amounts have not been recognized as revenue in the statements of activities and change in net assets because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services. Amounts unpaid after the service is performed are reported as accounts receivable in the statements of financial position. As of June 30, 2022, 2021, and 2020, the School did not have any accounts receivable from student fees. Amounts received prior to service being performed are reported as deferred revenues in the statement of financial position. As of June 30, 2022, 2021, and 2020, the School has \$161,456, \$166,561, and \$159,447, respectively, of deferred revenue from student fees.

Grants Receivable and Revenue

Grants receivable and revenue relate primarily to activities funded under federal programs 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.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions, Grants, and Fees

The School receives income from contributions, student fees, and fundraising events that support certain school activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Cash and Cash Equivalents

Cash consists of cash held in bank accounts and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

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 \$5,000 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:

Building and Improvements	40 Years
Leasehold Improvements	5 to 8 Years
Furniture and Equipment	3 to 5 Years
Textbooks	5 Years

Construction in Progress

Construction in progress represents expenditures incurred for construction and development of the new school facility and are carried at cost. Cost includes related acquisition expenses, development/construction costs, and capitalized interest during the construction phase of the project, and other direct expenditures.

Impairment of Long-Lived Assets

On an ongoing basis, the School reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The School recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs

During the year ended June 30, 2019, the School incurred costs totaling \$459,045 associated with securing financing under the Indiana Finance Authority Education Facilities Revenue Bonds. Amortization is provided on a straight-line basis over the 30-year term of the bond. Accumulated amortization and amortization expense were \$57,381 and \$15,302 for the year ended June 30, 2022. Accumulated amortization and amortization expense were \$42,079 and \$15,301 for the year ended June 30, 2021. As provided by ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, debt issuance costs are presented as a direct deduction from the carrying amount of the related debt liability.

Taxes on Income

Rock Creek Community Academy, Inc. has received a determination from the United States Department of Treasury 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, 2022 and 2021, 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 this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2019 are open to audit for both federal and state purposes.

Future Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Updates (ASU) 2016-02 *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The School is evaluating the effects of this new standard.

Subsequent Events

The School evaluated subsequent events through August 11, 2023, 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.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 RESTRICTED CASH

Cash – Restricted for Construction represents resources available for the building project and are drawn down as construction is completed. As of June 30, 2022 and 2021, the School had \$-0- and \$3, respectively, restricted for construction.

Cash – Restricted for Debt Service is reserved solely for the payment of principal and interest on the bond in the event that other funding is unavailable to meet payment requirements. As of June 30, 2022 and 2021, the School had \$1,827,216 and \$1,764,378, respectively, restricted for debt service.

NOTE 3 BONDS PAYABLE

Bonds payable consisted of the following as of June 30:

<u>Description</u>	<u>2022</u>	<u>2021</u>
Indiana Finance Authority Education Facilities Revenue Bonds, Series 2018A with a face amount of \$14,450,000, plus premium of \$127,015. The principal is payable in annual installments that increase from \$140,000 to \$905,000 from July 2021 to July 2048, with a lump-sum payment of \$2,060,000 due in July 2048. Interest payments are made semi-annually on January 1 and July 1 at rates ranging from 5.25% to 6.125% from July 2021 to July 2039 in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements.	\$ 14,310,000	\$ 14,450,000
Indiana Finance Authority Taxable Education Facilities Revenue Bonds, Series 2018B with a face amount of \$200,000. The principal is payable in annual installments of \$65,000, \$65,000, and \$70,000 in July 2020, 2021, and 2022, respectively. Interest payments are made semi-annually on January 1 and July 1 at a rate of 6.375% in accordance with the bond agreement. The bond obligation is secured by land, buildings, and improvements.	<u>70,000</u>	<u>135,000</u>
Total	14,380,000	14,585,000
Less: Current Portion	<u>(215,000)</u>	<u>(205,000)</u>
Long-Term Portion	<u><u>\$ 14,165,000</u></u>	<u><u>\$ 14,380,000</u></u>

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 BONDS PAYABLE (CONTINUED)

The premium on the Series A bonds above totaled \$127,015 and is being amortized over the 30-year life of the bonds. Amortization of the premium for the year ended June 30, 2022 and 2021 was \$4,234, and is included as part of interest expense.

The Indiana Finance Authority Educational Facilities Revenue Bond agreement contains certain covenants requiring minimum unrestricted cash reserves sufficient to meet 45 days of operating expenses and establishes a minimum debt service coverage ratio of 1.10 to 1. The School believes it was in compliance with covenants for 2022.

Principal maturities of the bonds payable are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 215,000
2024	225,000
2025	240,000
2026	250,000
2027	265,000
Thereafter	13,185,000
Total	<u><u>\$ 14,380,000</u></u>

NOTE 4 PAYROLL PROTECTION PROGRAM LOAN

In April 2020, the School received a loan from First Financial Bank in the amount of \$504,600 to fund payroll, rent utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. Payment of principal and interest were deferred until the date on which the amount of forgiveness is remitted to the lender. The School completed and submitted the PPP Loan Forgiveness application and received notification on November 18, 2020 that the \$504,600 PPP Loan was approved for full forgiveness by the U.S. Small Business Administration (SBA). The recognition of the PPP Loan is recorded in the statement of activities and changes in net assets. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 LEASES

The School leased its school facility, modular classrooms, and items of equipment under operating leases until the new building was completed and the School took ownership of the new building in December 2019. Under the facility lease, the School was also responsible for repairs, maintenance, and utilities. Total expense under these operating leases was \$33,822 and \$18,175 for the years ended June 30, 2022 and 2021, respectively.

The School leases a bus under a capital lease which was acquired during the year ended June 30, 2020. At June 30, 2022, the cost and accumulated depreciation relating to this asset was \$70,000 and \$32,667, respectively.

The School leases several vehicles under a capital lease which was acquired during the year ended June 30, 2021. At June 30, 2022, the cost and accumulated depreciation related to these assets was \$294,401 and \$68,694, respectively.

Minimum future lease payments as of June 30, 2022 under capital leases and the present value of the net minimum lease payments are as follows for the years ending June 30:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 143,616
2024	143,616
2025	66,803
Less: Amount Representing Interest	(40,225)
Total	<u>\$ 313,810</u>

NOTE 6 RETIREMENT PLAN

The School maintains a Section 403(b) defined contribution retirement plan with Mass Mutual Financial Group for the benefit of its employees. Substantially all full-time employees are eligible to participate. Under the plan, the School contributes 7.5% of each participant's compensation for the plan year. Retirement plan expense for the years ended June 30, 2022 and 2021 was \$202,332 and \$172,061, respectively.

NOTE 7 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. The charter remains in effect until June 30, 2027, and is renewable thereafter by mutual consent. Payments under this charter agreement were \$79,913 and \$74,648 for the years ended June 30, 2022 and 2021, respectively.

During the years ended June 20, 2022 and 2021, the School paid \$51,550 and \$58,875, respectively, to companies of a related party for cleaning and landscaping needs of the School.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 8 RISKS AND UNCERTAINTIES

The School provides educational instruction services to families residing in Clark and surrounding counties 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 grants awarded under federal programs. 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 liability 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, 2022, substantially all of the grants receivable balance was due from the state of Indiana. Cash deposits are maintained at New Washington State Bank and US Bank and normally exceed the FDIC insurance limit.

During the year ended June 30, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including an increase in nutrition funding. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are ongoing and are still developing.

NOTE 9 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 and 2021 to meet its cash needs for general expenditures within one year of the date of the statements of financial position. The School's financial assets include cash and grants receivable.

	<u>2022</u>	<u>2021</u>
Financial Assets	\$ 4,580,578	\$ 4,131,658
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Restricted Cash for Use in Construction and Debt Service	<u>(1,827,216)</u>	<u>(1,764,381)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,753,362</u>	<u>\$ 2,367,277</u>

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 9 LIQUIDITY (CONTINUED)

From time to time, the School receives donor-restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 10 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and change in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**ROCK CREEK COMMUNITY ACADEMY, INC.
OTHER REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

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

Supplemental Audit Report of
Rock Creek Community Academy, Inc.

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*.



**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**

Board of Directors
Rock Creek Community Academy, Inc.
Sellersburg, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rock Creek Community Academy, Inc. (the School), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Directors
Rock Creek Community Academy, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from 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 financial statements. 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*.

Purpose of This Report

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

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Indianapolis, Indiana
August 11, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Rock Creek Community Academy, Inc.
Sellersburg, Indiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rock Creek Community Academy, Inc.'s (the School) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Board of Directors
Rock Creek Community Academy, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the School as of and for the year ended June 30, 2022, and have issued our report thereon dated August 11, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 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.



CliftonLarsonAllen LLP

Indianapolis, Indiana
August 11, 2023

ROCK CREEK COMMUNITY ACADEMY, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture				
Passed through from Indiana Department of Education:				
Child Nutrition Cluster:				
National School Lunch Program	10.555	N/A	\$ -	\$ 333,166
Total Child Nutrition Cluster			-	333,166
Total U.S. Department of Agriculture			-	333,166
U.S. Department of Education				
Passed through from Indiana Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A200014	-	25,683
Title I Grants to Local Educational Agencies	84.010	S010A210014	-	44,569
Total Assistance Listing Number 84.010			-	70,252
Special Education Cluster (IDEA):				
Passed through from Indiana Department of Education:				
Special Education Grants to States	84.027	H027A200084	-	9,595
Special Education Grants to States	84.027	H027A210084	-	129,937
Special Education Grants to States	84.027	H027X210084	-	19,199
Total Assistance Listing Number 84.027			-	158,731
Special Education Preschool Grants	84.173	H173A180104	-	960
Special Education Preschool Grants	84.173	H173A190104	-	1,224
Special Education Preschool Grants	84.173	H173X210104	-	2,432
Total Assistance Listing Number 84.0173			-	4,616
Total Special Education Cluster (IDEA)			-	163,347
Passed through from Indiana Department of Education:				
Charter Schools	84.282	S282D190002	-	382,978
Passed through from Indiana Department of Education:				
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	S367A200013	-	9,663
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	S367A210013	-	6,054
Total Assistance Listing Number 84.367			-	15,717
Passed through from Indiana Department of Education:				
Education Stabilization Fund:				
COVID 19: Elementary and Secondary School Emergency Relief Fund	84.425D	S425D210013	-	65,523
COVID 19: American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	S425U210013	-	261,476
Total Assistance Listing Number 84.425			-	326,999
Total U.S. Department of Education			-	959,293
Total Expenditures of Federal Awards			\$ -	\$ 1,292,459

See accompanying Notes to Schedule of Expenditures of Federal Awards.

ROCK CREEK COMMUNITY ACADEMY, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Rock Creek Community Academy, Inc. (the School) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets or cash flows of the School.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 INDIRECT COST RATE

The School has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

ROCK CREEK COMMUNITY ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

84.282
84.425

Name of Federal Program or Cluster

Charter School Program
Education Stabilization Fund Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

_____ yes x no

ROCK CREEK COMMUNITY ACADEMY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).



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**ROCK CREEK COMMUNITY ACADEMY, INC.
CLARK COUNTY, INDIANA**

SUPPLEMENTAL AUDIT REPORT

JULY 1, 2021 TO JUNE 30, 2022



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ROCK CREEK COMMUNITY ACADEMY, INC.
SUPPLEMENTAL AUDIT REPORT
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**ROCK CREEK COMMUNITY ACADEMY, INC.
CLARK COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 to JUNE 30, 2022**

Office	Official	Term
Board Chairman	Jeff Dethy	07/01/2021 – 12/31/2021
Board Chairman	Jason Hall	01/01/2022 – 06/30/2022
School Principal	Sara Hauselman	07/01/2021 – 06/30/2022
School Treasurer	Karen Floyd	07/01/2021 – 06/30/2022
Business Manager	Karen Rogers	07/01/2021 – 06/30/2022



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INDEPENDENT AUDITORS' REPORT

School Officials
Rock Creek Community Academy, Inc.
Indianapolis, Indiana

We have audited the financial statements of Rock Creek Community Academy, Inc. (the School) as of and for the year ended June 30, 2022, and have issued our report thereon dated August 11, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. The School did not have any findings related to the Indiana State Board of Accounts compliance guidelines.

CliftonLarsonAllen LLP

Indianapolis, Indiana
August 11, 2023

**ROCK CREEK COMMUNITY ACADEMY, INC.
CLARK COUNTY
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 to JUNE 30, 2022**

No findings noted for the period of July 1, 2021 to June 30, 2022.

**ROCK CREEK COMMUNITY ACADEMY, INC.
CLARK COUNTY
EXIT CONFERENCE
JULY 1, 2021 to JUNE 30, 2022**

The contents of this report were discussed with Jason Hall (Board President), Sara Hauselman (School Principal), Karen Floyd (School Treasurer), and Karen Rogers (Business Manager), on August 11, 2023.

**ROCK CREEK COMMUNITY ACADEMY, INC.
CLARK COUNTY
OFFICIAL RESPONSE
JULY 1, 2021 to JUNE 30, 2022**

No findings noted for the period of July 1, 2021 to June 30, 2022 that required an official response.



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Rural Community Academy

RURAL COMMUNITY SCHOOLS, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021



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**RURAL COMMUNITY SCHOOLS, INC.
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YEARS ENDED JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rural Community Schools, Inc.
Sullivan, Indiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Rural Community Schools, Inc. (the School), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rural Community Schools, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rural Community Schools, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Community Schools, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Rural Community Schools, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rural Community Schools, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of Matter Regarding School Closure

As discussed in Note 2, subsequent to the year ended June 30, 2022, the School's Board of Directors voted to cease operations of the School effective June 30, 2023. There is no assurance that the school will be able to meet its financial obligations. Our opinion is not modified with respect to this matter.



CliftonLarsonAllen LLP

Indianapolis, Indiana
March 23, 2023

RURAL COMMUNITY SCHOOLS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 366,102	\$ 270,185
Grants Receivable	65,214	5,149
Total Current Assets	<u>431,316</u>	<u>275,334</u>
PROPERTY AND EQUIPMENT		
Leasehold Improvements	173,197	173,197
Furniture and Equipment	347,036	334,136
Textbooks and Library Books	79,430	79,430
Less: Accumulated Depreciation	<u>(456,188)</u>	<u>(438,274)</u>
Property and Equipment, Net	<u>143,475</u>	<u>148,489</u>
Total Assets	<u><u>\$ 574,791</u></u>	<u><u>\$ 423,823</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 60,029	\$ 64,611
LONG-TERM LIABILITIES		
Loan Payable Under Paycheck Protection Program	-	176,100
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>514,762</u>	<u>183,112</u>
Total Liabilities and Net Assets	<u><u>\$ 574,791</u></u>	<u><u>\$ 423,823</u></u>

See accompanying Notes to Financial Statements.

RURAL COMMUNITY SCHOOLS, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUE AND SUPPORT		
State Education Support	\$ 1,015,983	\$ 752,806
Gain on Extinguishment of Debt	176,100	162,500
Grant Revenue	549,784	289,751
Student Fees	2,853	1,340
Extracurricular Activities Revenue	23,358	14,238
Contributions	95,250	2,207
Other Income	19,155	3,945
Total Revenue and Support	<u>1,882,483</u>	<u>1,226,787</u>
EXPENSES		
Program Services	1,108,399	926,785
Management and General	442,434	354,316
Total Expenses	<u>1,550,833</u>	<u>1,281,101</u>
CHANGE IN NET ASSETS	331,650	(54,314)
Net Assets - Beginning of Year	<u>183,112</u>	<u>237,426</u>
NET ASSETS - END OF YEAR	<u><u>\$ 514,762</u></u>	<u><u>\$ 183,112</u></u>

See accompanying Notes to Financial Statements.

RURAL COMMUNITY SCHOOLS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Program Services	Management and General	Total	Program Services	Management and General	Total
Salaries and Wages	\$ 602,284	\$ 220,990	\$ 823,274	\$ 477,796	\$ 190,135	\$ 667,931
Employee Benefits	96,753	63,999	160,752	134,497	48,130	182,627
Staff Development	12,729	-	12,729	7,424	-	7,424
Professional Services	60,473	6,674	67,147	62,185	5,089	67,274
Textbooks and Education Materials	29,613	-	29,613	12,212	-	12,212
Authorizer Oversight Fees	-	24,101	24,101	-	19,308	19,308
Food Costs	58,859	-	58,859	41,642	-	41,642
Transportation	29,592	1,276	30,868	30,287	1,734	32,021
Equipment and Rentals	-	-	-	-	28,210	28,210
Classroom, Kitchen, and Office Supplies	15,605	2,192	17,797	5,894	8,368	14,262
Extracurricular Activities	40,747	-	40,747	19,546	-	19,546
Occupancy	141,453	4,299	145,752	107,148	4,251	111,399
Depreciation	17,914	-	17,914	27,164	-	27,164
Insurance	-	27,376	27,376	-	27,978	27,978
Advertising	-	65,876	65,876	-	16,358	16,358
Other	2,377	25,651	28,028	990	4,755	5,745
Total Functional Expenses	<u>\$ 1,108,399</u>	<u>\$ 442,434</u>	<u>\$ 1,550,833</u>	<u>\$ 926,785</u>	<u>\$ 354,316</u>	<u>\$ 1,281,101</u>

See accompanying Notes to Financial Statements.

RURAL COMMUNITY SCHOOLS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 331,650	\$ (54,314)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	17,914	27,164
Gain on Extinguishment of Debt	(176,100)	(162,500)
Changes in Operating Assets and Liabilities:		
Grants Receivable	(60,065)	50,059
Accounts Payable and Accrued Expenses	<u>(4,582)</u>	<u>11,817</u>
Net Cash Provided (Used) by Operating Activities	108,817	(127,774)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(12,900)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Loan Payable Under Paycheck Protection Program	<u>-</u>	<u>176,100</u>
NET CHANGE IN CASH	95,917	48,326
Cash - Beginning of Year	<u>270,185</u>	<u>221,859</u>
CASH - END OF YEAR	<u><u>\$ 366,102</u></u>	<u><u>\$ 270,185</u></u>

See accompanying Notes to Financial Statements.

RURAL COMMUNITY SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Rural Community Academy (the School or RCA) is a public benefit nonprofit 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 Ball State University. The School provides educational instruction to students in grades kindergarten through eight, serving approximately 118 students during the 2021-2022 School year and approximately 97 students in the 2020-2021 School year. The student count is 87 for the 2022-2023 School year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

Cash consists of cash held in the bank and cash equivalents consists of short-term, highly liquid investments with original maturities of three months or less. There were no cash equivalents at June 30, 2022 and 2021.

Grants Receivable

Grants 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.

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 and minor replacement costs 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:

Leasehold Improvements	15 to 40 Years
Furniture and Equipment	5 to 10 Years
Textbooks and Library Books	5 Years

RURAL COMMUNITY SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

On an ongoing basis, the Corporation reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may be overstated. The Corporation recognizes impairment losses if the undiscounted cash flows expected to be generated are less than the carrying value of the related asset. If impaired, the assets are adjusted to fair value based on the undiscounted cash flows.

Revenue Recognition

Revenues primarily come from conditional 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 other public schools in the same geographic area. Funding from the state of Indiana is based on enrollment and paid in monthly installments in July through June coinciding with the academic School year. Revenue is recognized in the year in which the educational services are rendered.

A portion of the School's revenue is the product of cost reimbursement grants. Therefore, the School recognizes revenue under these grants in the amounts of costs and expenses at the time they are incurred. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statement of financial position. As of June 30, 2022 and 2021, the School does not have any conditional grants that have not been recognized as revenue in the statement of activities because conditions have not been met.

Revenue from student fees is recognized when the control of the promised good or service is transferred to the student, in an amount that reflects the consideration expected to be entitled in exchange for those goods or services.

Grants and Contribution Revenue

The School receives income from grants and contributions that support certain School activities. These receipts are reported as restricted support in that they are received with stipulations that limit their use. When a donor restriction expires, that is, when the purpose or time restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as Net Assets Released from Restrictions. There were no grants or contributions received with restriction in the years ended June 30, 2022 and 2021.

Taxes on Income

The School is a nonprofit corporation, exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(3).

The School is subject to unrelated business income tax on any activities unrelated to its tax-exempt purpose, of which the School had none for the years ended June 30, 2022 and 2021. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

RURAL COMMUNITY SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes on Income (Continued)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the School has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the School, and has concluded that as of June 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The U.S. federal and state income tax returns of the School are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Recent Accounting Pronouncements

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance changes the accounting for sale and leaseback transactions to conform to the new revenue recognition standard. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the School's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted.

Subsequent Events

The School evaluated subsequent events through March 23, 2023, 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.

NOTE 2 GOING CONCERN CONSIDERATION

As of September 2022, the School saw a large decrease in student enrollment from February 2022. The enrollment decreased 31% from 127 students to 87 students, thus causing lost revenue for Fiscal Year 2023 of an estimated amount of \$26,667 a month (\$320,000 annually). During the year ended June 30, 2022, revenue exceeded expenses by approximately \$331,000. While the School has approximately \$431,000 of financial assets as of June 30, 2022, saw increased enrollment for the 2021-2022 School year, and was able to replenish cash reserves, it does not alleviate substantial doubt about the School's ability to continue as a going concern beyond 12 months of the date of the accompanying audit report.

Management's Response

RCA financial viability is based on student enrollment. We have been aware that with decreased enrollment, RCA does not receive enough funding to allow for continued operation into the future unless enrollment is brought up. With the current trend in enrollment and projections for the next year, we have withdrawn the School's application for charter renewal and elected to close the School effective June 30, 2023.

RURAL COMMUNITY SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3 LEASES

The School leases its facility under an operating lease that is renewable annually and provides for monthly rental payments of \$1,000. Under the terms of the facilities lease, the School is responsible for the cost of utilities and maintenance. The School also leases a copier on a short-term contract. Rent expense for the years ended June 30, 2022 and 2021 was \$24,346 and \$23,366, respectively.

NOTE 4 COMMITMENTS

The School operates under a charter granted by Ball State University. As the sponsoring organization, Ball State University exercises certain oversight responsibilities. Under this charter, the School has agreed to pay to Ball State University an annual administrative fee equal to 3% of state tuition support received. Expense under this charter agreement was \$24,101 and \$19,308 for the years ended June 30, 2022 and 2021, respectively. The charter was extended one year until June 30, 2023 and is renewable thereafter by mutual consent.

NOTE 5 PAYROLL PROTECTION PROGRAM LOAN

The School had a Loan of \$176,100 from First Financial Bank at June 30, 2021 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP Loans bear interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in December 2021, principal and interest payments will be required through the maturity date in February 2026.

On October 5, 2021 and November 20, 2020, the School was notified that the PPP Loans in the amounts of \$176,100 and \$162,500, respectively were forgiven and recorded as a gain on extinguishment of debt in the accompanying statements of activities and changes in net assets.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from the potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the School's financial position.

RURAL COMMUNITY SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 RETIREMENT PLANS

The School provides retirement benefits covering substantially all full-time employees. Retirement benefits for teaching personnel are provided by the Indiana State Teachers' Retirement Fund (TRF) and the Indiana Public Employees' Retirement Fund (PERF), both of which are cost-sharing multiple-employer defined benefit retirement plans governed by the state of Indiana and administered by the Indiana Public Retirement System (INPRS) Board. Contribution requirements of plan members are determined annually by the INPRS Board. Under the plans, the School contributed 7.25% of compensation for eligible teaching personnel to TRF and 11.25% of compensation for other eligible employees to PERF. Should the School elect to withdraw from TRF or PERF, it could be subject to a withdrawal fee. The School's contributions represent an insignificant percentage of the total contributions received by TRF and PERF. As of June 30, 2021 (the latest year reported), TRF and PERF were approximately 95% and 83% funded, respectively.

Retirement plan expense was \$59,849 and \$48,947 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 RISKS AND UNCERTAINTIES

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

The World Health Organization declared the spread of COVID-19 a worldwide pandemic. The COVID-19 pandemic is still having significant effects on domestic and global markets, businesses, and communities. Specific to the School, COVID-19 has impacted various parts of its operations and financial results, including but not limited to, more extensive virtual School attendance, declines in enrollment reducing student based revenue, and expanded grant revenue available. Management believes the organization is taking actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

The majority of revenues relate to legislation enacted by the state of Indiana and grants awarded under federal programs. 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 liability 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, 2022 and 2021, substantially all of the receivable balance was due from the state of Indiana. Cash deposits are maintained at First Financial Bank and are insured up to the Federal Deposit Insurance Corporation (FDIC) insurance limit. Cash balances exceeded FDIC insured limits at various times during the year.

RURAL COMMUNITY SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 8 LIQUIDITY

Under ASU 2016-14, the School is required to disclose the assets it has available at June 30, 2022 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. The School's financial assets include cash and grants receivable. Financial assets at June 30, 2022 and 2021 totaled \$431,316 and \$275,334, respectively, all of which are available to meet cash needs for general expenditures within one year.

From time to time, the School receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 9 FUNCTIONAL EXPENSE REPORTING

The costs of providing the educational activities have been summarized on a functional basis in the statements of activities and changes in net assets. Management of the School has categorized expenses as program services or management and general according to the underlying nature of the expense. As such, no allocation of specific transactions between these categories was required.

**RURAL COMMUNITY SCHOOLS, INC.
OTHER REPORT
JUNE 30, 2022 AND 2021**

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

Supplemental Audit Report of Rural Community Schools, Inc.

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*.



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**SUPPLEMENTAL AUDIT REPORT
OF
RURAL COMMUNITY SCHOOLS, INC.**

SULLIVAN COUNTY, INDIANA

JULY 1, 2021 TO JUNE 30, 2022



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RURAL COMMUNITY SCHOOLS, INC.
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**RURAL COMMUNITY SCHOOLS, INC.
SULLIVAN COUNTY, INDIANA
SCHOOL OFFICIALS
JULY 1, 2021 TO JUNE 30, 2022**

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of Board of Directors	Susie Pierce	07/01/2021 – 06/30/2022
School Leader	Derek Grant	07/01/2021 – 06/30/2022
Chief Financial Officer	Leona Davis	07/01/2021 – 06/30/2022
Treasurer of Board of Directors	Darin May	07/01/2021 – 06/30/2022



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rural Community Schools, Inc.
Sullivan, Indiana

We have audited the financial statements of Rural Community Schools, Inc. (the School) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 23, 2023. As part of our audit, we tested the School's compliance with provisions of the *Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools* issued by the Indiana State Board of Accounts and related provisions of laws, regulations, contracts, and grant agreements. Reported in the Audit Results and Comments are matters where we believe the School was not in compliance with those provisions.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Indianapolis, Indiana
March 23, 2023

**RURAL COMMUNITY SCHOOLS, INC.
SULLIVAN COUNTY, INDIANA
AUDIT RESULTS AND COMMENTS
JULY 1, 2021 TO JUNE 30, 2022**

REQUIRED REPORTS – ANNUAL FINANCIAL REPORT (AFR)

During our testing, it was noted that the Annual Financial Report (AFR) was not filed with the state per review of the Indiana Gateway website.

Charter Schools are required to file an annual report with the State Examiner not later than sixty (60) days after the close of each fiscal year, IC5-11-1-4. (Accounting and Uniform Compliance Guidelines Manual for Indiana Charter Schools, Part 9)

**RURAL COMMUNITY SCHOOLS, INC.
SULLIVAN COUNTY, INDIANA
EXIT CONFERENCE
JULY 1, 2021 TO JUNE 30, 2022**

The contents of this report were discussed on March 23, 2023, with Susie Pierce (Board President) and Derek Grant (School Leader). The official response has been made a part of this report and may be found starting on page 5.

Mailing Address
P.O. Box 85
Graysville, IN 47852
Phone 812-382-4500

Rural Community Academy
"A Public School Where Every Child Soars"
www.rcsi.k12.in.us

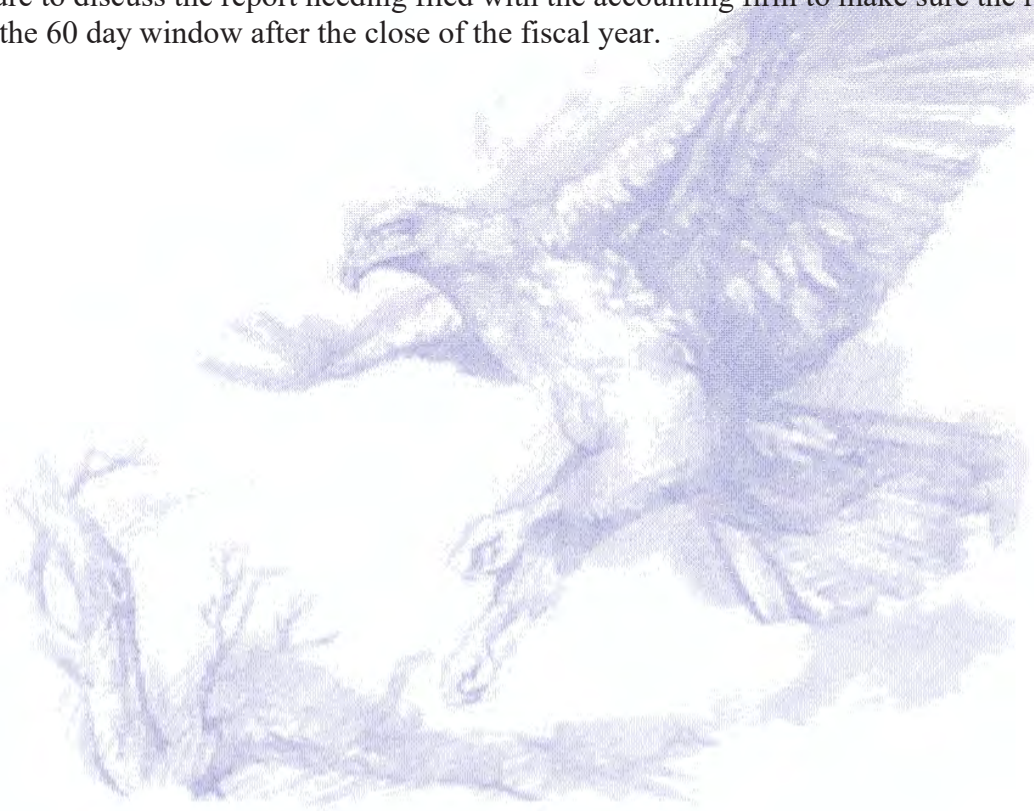
Physical Address
2385 N. State Road 63
Sullivan, IN 47882
Fax 812-382-4055

3/14/2023

Management response to audit findings:

RE: Required Reports – Annual Financial Report

Each year an outside accounting firm files the AFR with the state on behalf of Rural Community Academy. It was the assumption of the School Leader that they knew when, and that it needed to be filed. The School Leader did not make the accounting firm aware that the report was due and though contact was eventually made about the report there was confusion as to who was going to complete the report it and it was subsequently not filed until the finding was made aware. Leadership will be better prepared in the future to discuss the report needing filed with the accounting firm to make sure the report is filed within the 60 day window after the close of the fiscal year.



*"Come to the edge." "It's too high." "Come to the edge." "We might fall." "Come to the edge."
And they came. And he pushed them. And they flew. –Apollinaire*



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